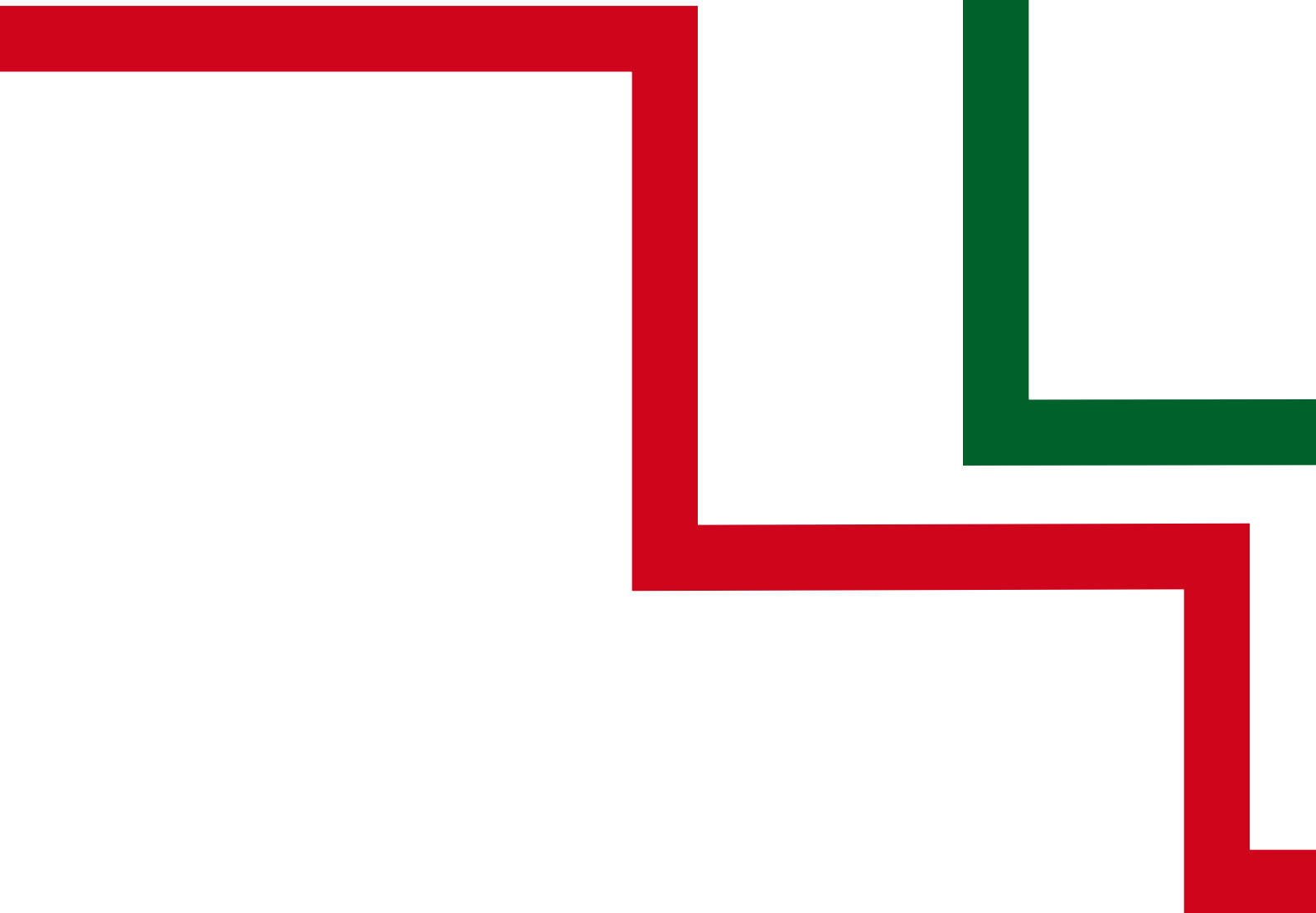
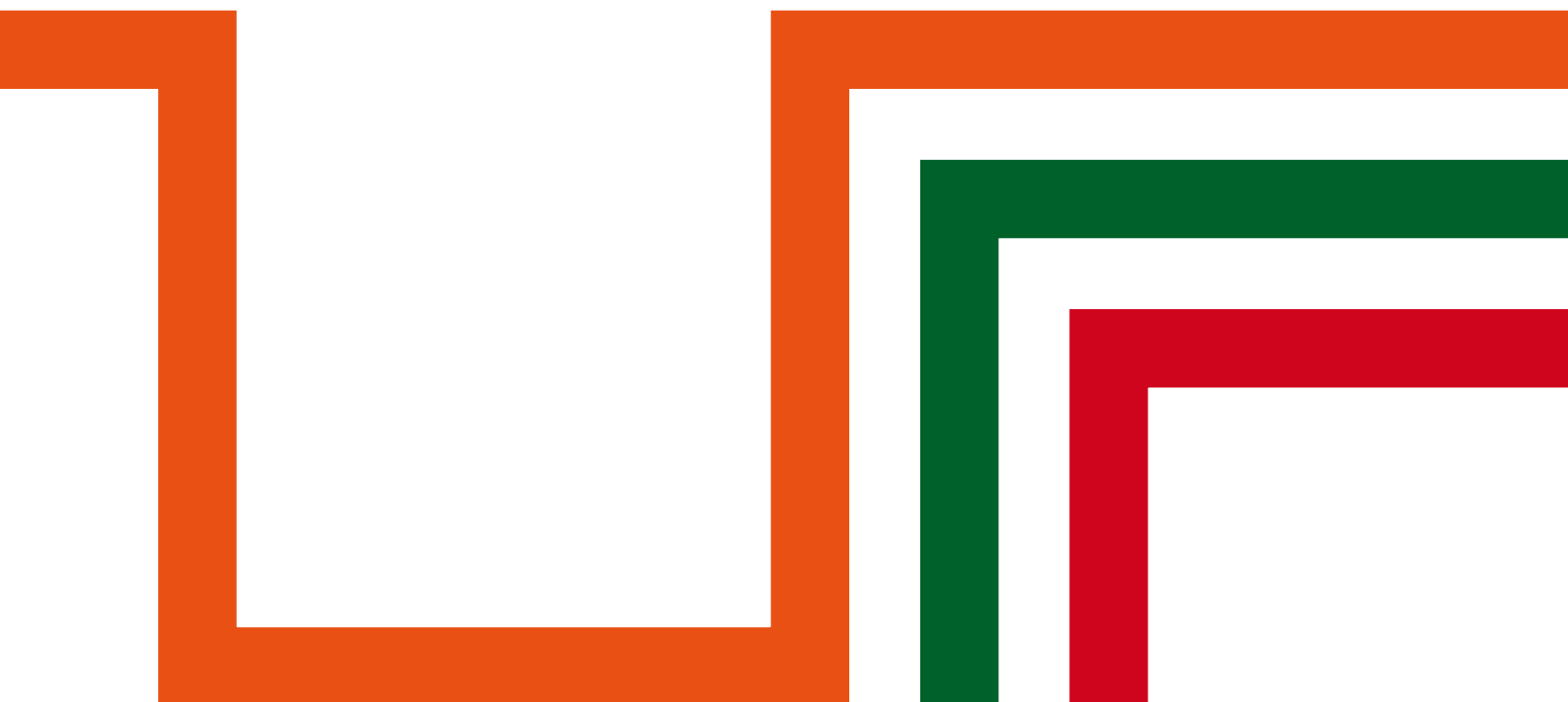


ČEZ DISTRIBUCE, A. S. 2019 ANNUAL REPORT







NEW STRATEGY

EFFICIENT OPERATION, RENOVATION, & DEVELOPMENT OF DISTRIBUTION ASSETS

MODERN DISTRIBUTION & CARE FOR CUSTOMER NEEDS

SUPPORT FOR NEW ENERGY SECTOR DEVELOPMENT IN CZECHIA

DEVELOPMENT OF INNOVATIVE TECHNOLOGIES & DIGITIZATION



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Annex 1 (under back cover flap) Relation Structure Diagram for the Period of January 1, 2019, to December 31, 2019 for the Related Parties Report for 2019

Information about Persons Responsible for the Annual Report

Statutory Declaration

The information presented in the 2019 Annual Report of ČEZ Distribuce, a. s., corresponds to facts and no significant circumstances that could affect the accurate and correct assessment of ČEZ Distribuce, a. s., have been omitted or misrepresented.

Děčín, April 8, 2020




Ing. Martin Zmelík, MBA
Chairman of the Board of Directors



Ing. Martin Molinger
Member of the Board of Directors



YOU CAN RELY ON US



People's lives are more and more dependent on electricity, and the reliability and speed of power restoration is a key indicator of our customers' satisfaction

We expend billions of CZK on distribution system facilities, which allows us to ensure safe and reliable electricity supply. In case of emergency, the new advanced elements allow us to locate the point of failure faster and restore power supply sooner. We also signed a Memorandum of Emergency Communication with all mobile network operators in March 2019, which allows us to work together more efficiently during emergencies to restore power supply and ensure the operability of core telecommunications infrastructure, including emergency lines.

Introduction by the Chairman of the Board of Directors

Ladies and Gentlemen,

ČEZ Distribuce entered the year 2019 as the presiding member of the Czech Association of Regulated Power Supply Companies. We also continued with the trend of building a modern and prestigious company, focusing on enhancing our economic performance, improving the availability and quality of our customer services, and, last but not least, improving communication inside the Company.

We managed to achieve all of our financial targets and defined corporate performance indicators. Our 2019 EBITDA was CZK 17.2 billion, our net income of CZK 7.3 billion is comparable to past years' performance, and there was a slight increase in revenue from sales of electricity distribution.

We had to cope with exceptional weather conditions and declared disasters associated with power outages once again last year. Four distribution system emergencies caused by severe weather occurred during the course of the year, with cyclones Pirmin and Eberhard being especially noteworthy. In this context, I would like to mention that we launched an interactive web interface at www.bezstav.cz to provide information about unscheduled and scheduled outages of power supply. We strive to reduce failure rates and power outage times to a bare minimum.

The whole year 2019 was also characterized by developing a new corporate strategy, Digid, which is aimed at supporting our vision of being a top-class European distributor, introducing innovative technologies, and cocreating a digital decentralized power system.

The Company started the second half of the past year with an extensive organizational change, merging the Operations section and the Grid Management section into a single Operations and Distribution System Management section and subsuming the Distribution System Renovation section into the Distribution Asset Management section, all of that with the aim of streamlining management processes and cutting costs.

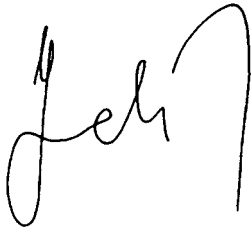
Company management is committed to continuously improving the level of communication and information within the Company and between its internal sections. In this context, I would like to mention valuable gatherings of employees at individual localities as well as employee opinion surveys. Outputs from such surveys are of great value to the Company; among other things, they serve to improve our corporate culture. The Company successfully continued with and finished the third annual Prokop Diviš Incentive Program, which involved 1,326 students from ten schools.

We made capital expenditures of almost CZK 11 billion on the distribution system. The most important construction projects that can be mentioned here include the construction of a new 110 kV power line between Hlinsko and Polička. We also completed the construction of new transformer substations at Třebovice and Hněvotín, the reconstruction of transformer substations at Krásné Březno, Kolín, Polička, and more.

We also opened new technical consulting centers for our customers in Hradec Králové, Pardubice, Kolín, and Liberec.

Our challenge for the next years is to enhance electricity supply reliability, quality, and security in relation to the ever more widespread general use of communications and automation technologies. What we consider crucial is our preparedness for expected growth in decentralized, primarily renewable sources of electricity, which will substantially alter the characteristics of distribution system operation. It will also be affected by the deployment of energy storage and electric mobility, which will make its operation more dynamic.

Please allow me to thank all those who contributed to the Company's excellent results in 2019: our customers, our employees, without whom those results would have been impossible to achieve, as well as our business partners.



Ing. Martin Zmelík, MBA

Chairman of the Board of Directors
and Chief Executive Officer,
ČEZ Distribuce, a. s.

Selected Indicators

Selected Financial Indicators

	Unit	2015	2016	2017	2018	2019
Workforce headcount as at December 31	Number	1,470	2,640	2,807	4,561	4,590
Revenue from sales of own products and services	CZK millions	52,008	48,226	45,817	47,224	48,401
Of which: Revenue from sales of electricity distribution	CZK millions	51,788	48,022	45,627	47,025	48,199
EBITDA	CZK millions	15,227	16,011	15,105	17,005	17,224
EBIT	CZK millions	8,421	9,164	8,100	9,671	9,548
Net income	CZK millions	6,613	7,259	6,396	7,669	7,296
Total assets	CZK millions	139,132	141,280	140,223	143,664	146,449
Equity	CZK millions	92,766	95,473	97,601	85,447	86,962
Net debt	CZK millions	13,197	11,250	13,001	26,634	27,616
Total debt to total capital	%	20.27	18.71	17.51	30.31	29.65
Capital expenditures	CZK millions	7,697	7,946	9,593	10,694	10,904
Operating cash flows	CZK millions	12,777	13,940	12,000	16,624	15,692

Selected Sector-Specific Indicators

	Unit	2015	2016	2017	2018	2019
Service area	km ²	52,001	52,001	52,001	52,001	52,001
Number of service points	Number	3,608,324	3,625,976	3,649,489	3,673,908	3,698,220
Of which: HV, MV – large end-use customers	Number	14,829	14,860	14,892	14,861	14,846
LV – commercial retail	Number	437,762	436,797	435,844	437,262	437,932
LV – residential retail	Number	3,155,733	3,174,319	3,198,753	3,221,785	3,245,442
Peak load	MW	5,393	5,884	6,178	5,970	6,002
Installed line length	km	163,211	163,680	164,264	165,133	165,835
Of which: HV	km	9,834	9,853	9,845	9,945	10,002
MV	km	50,651	50,658	50,698	50,881	51,006
LV	km	102,726	103,169	103,721	104,307	104,827
MV/LV transformer substations	Number	58,259	58,574	58,865	59,175	59,552
Of which: Owned by the Company	Number	45,412	45,724	46,025	46,319	46,636
Owned by a third party	Number	12,847	12,850	12,840	12,856	12,916
HV/HV, HV/MV, MV/MV transformer substations	Number	292	283	283	289	287

WE HELP AT ANY TIME





EBERHARD, MORTIMER—these are the names of the biggest windstorms in 2019

Two windstorms cutting power to almost 370,000 service points hit our Company's distribution area in 2019. Our employees have to take to the field in any weather to repair occurring failures. They grapple with wind, rain, but also snow. For example, our technicians' standard equipment includes snowshoes.

Key Events of 2019 and 2020 until the Annual Report Closing Date

Key Events of 2019

January

- ČEZ Distribuce, a. s., has been presiding over the Czech Association of Regulated Power Supply Companies since January 1, 2019.
- Another technical consulting center was opened in Hradec Králové on January 9, 2019.
- Snowstorm Benjamin, accompanied by heavy winds, especially from January 9 to January 10, 2019, caused faults in medium- and low-voltage lines and a state of disaster was declared in three districts (Jablonec nad Nisou, Semily, and Děčín).
- Michaela Kociánová was elected as member of the Board of Directors of ČEZ Distribuce, a. s., by a decision of the sole shareholder of January 10, 2019, with effect from February 1, 2019.
- On January 12 to January 15, 2019, the distribution system of ČEZ Distribuce, a. s., experienced an increased number of faults caused by the passage of cold front Florenz, which hit especially the Karlovy Vary Region.
- On January 23, 2019, the Company presented its new corporate strategy known as Digid. The strategy supports its vision of being a top-class European distributor, efficiently introducing innovative technologies, and cocreating a digital decentralized power system.
- On January 31, 2019, an interactive web interface was launched at www.bezstav.cz for announcements of outages and planned work on electrical equipment.

February

- On February 3 and 4, 2019, Czechia was passed over by a cold front associated with cyclone Pírmin, hitting mostly the Plzeň and Central Bohemia Regions, with wind speeds locally exceeding 125 kmph, that is, hurricane force; consequences of the cold front were remedied by the evening of February 4, 2019.
- The seventh technical consulting center of ČEZ Distribuce, a. s., was opened in Pardubice.
- The Company's Board of Directors elected Radim Černý as Vice-Chairman of the Board of Directors of ČEZ Distribuce, a. s., with effect from February 8, 2019.

March

- In the evening of March 10, 2019, storm Eberhard hit Czechia from the west; approximately 356,000 service points were affected and a state of disaster was declared on March 11, 2019. After 22 hours, power supply had been restored for almost 343,000 services points throughout most of the service area and the state of disaster was terminated in most of the area.
- On March 15, 2019, the Ministry of the Environment issued a favorable binding opinion in Liberec on the project for a 110 kV interconnector between Česká Lípa and Varnsdorf pursuant to the Environmental Impact Assessment Act. The assessment and opinion indicate environmentally acceptable line routes.
- On March 20 and 21, 2019, the 14th annual expert conference named Electricity Sector Trends in the European Context took place, focusing on the future of electricity distribution.

April

- The Board of Directors of ČEZ Distribuce, a. s., debated a letter of resignation received from Jiří Kudrnáč, dated April 11, 2019, and, at his request, approved the termination of his service as member of the Board of Directors with effect from April 30, 2019.
- An informal meeting between the management of ČEZ Distribuce, a. s., and employees was held in Plzeň on April 25, 2019, in order to present the new Digid strategy.

May

- Another informal meeting between the management of ČEZ Distribuce, a. s., and employees was held at the Děčín site on May 16, 2019, in order to present the new Digid strategy.
- Alteration of the Chotějovice transformer substation was started to change its MV supply voltage in connection with the related grid unification to 22 kV in the Teplice area.

June

- On June 4, 2019, the Board of Directors of ČEZ Distribuce, a. s., debated a letter of resignation received from Tomáš Murtinger and, at his request, approved the termination of his service as member of the Board of Directors with effect from June 30, 2019.
- Additional informal meetings between the management of ČEZ Distribuce, a. s., and employees were held at the Ostrava and Hradec Králové sites to present the new Digid strategy to employees.

- On June 19, 2019, the Bylaws of ČEZ Distribuce, a. s., were amended by a notarial record, changing the number of members of the Company's Board of Directors from seven to five.
- On June 27, 2019, the Board of Directors of ČEZ Distribuce, a. s., debated a letter of resignation received from Karel Kohout and, at his request, approved the termination of his service as member of the Board of Directors with effect from June 30, 2019.
- The third annual Prokop Diviš Incentive Program, which involved 1,326 students from ten schools, was finished.
- A joint exercise of ČEZ Distribuce, a. s., and the Fire Rescue Service of the Vysočina Region took place in Havlíčkův Brod. The main goal of the exercise was to test power engineers' and integrated rescue system services' ability to cooperate and respond actively to a simulated accident.
- Construction work started at the Roudnice transformer substation—the reconstruction of 110 and 22 kV switchgear will involve modifying internal consumption, replacing failure-prone switching elements, adding a busbar breaker bay, and installing a new control and protection system.
- The construction of a new Děčín Aluminium 110 kV substation began. The construction project will help enhance power supply reliability for a major customer.

July

- An organizational change occurred at ČEZ Distribuce, a. s., on July 1, 2019: the Operations section and the Grid Management section were merged into a single Operations and Distribution System Management section and the Distribution System Renovation section was subsumed into the Distribution Asset Management section.
- Construction work started for the Slatina nad Zdobnicí—MV Line Reconstruction project. The project is aimed at complete reconstruction of 13.8km of power lines and 3.7km of branches.
- Another informal meeting between the management of ČEZ Distribuce, a. s., and employees was held at the Liberec site to present the new Digid strategy to employees and debate and address additional current topics.

August

- Construction work started for the Oldřichov Transformer Substation—22 kV Switchgear Reconstruction project. The project consists in replacing failure-prone cellular-type switchgear with gas-insulated switchgear with two busbar systems and replacing an outdated and failure-prone protection and control system.
- Insulation replacement started on a Slapy transformer substation HV line. The project involved replacing ceramic insulators, which are highly prone to failure.

September

- The last stage of new telephony implementation for the administration of the ČEZ Distribuce, a. s., call center was launched.
- A psychology laboratory was put into pilot operation in the presence of Radim Černý, the Vice-Chairman of the Board of Directors, at the Želenice transformer substation on September 19 and 20, 2019.

October

- An employee opinion survey conducted in the summer was evaluated. Employee engagement was found to be better than average as compared to other businesses. The survey was divided into two parts—part one was general and the data were comparable to other companies across Czechia; part two was created specifically for ČEZ Distribuce, a. s., and the questions focused on: corporate culture, communication, collaboration, handling of management documents, approval processes, flexibility and acceptance of change, as well as how well the Company's strategic direction was being explained.
- The construction of a MV line between Říčany and Průhonice was completed. The project addressed distribution capacity enhancement at both MV and LV level for the Průhonice—Čestlice commercial park.
- Construction work started on the reconstruction of the Lanškroun transformer substation. The project involves reconstructing 21 bays of existing 22 kV metal-enclosed switchgear, reconstructing an existing control and protection system, as well as building new sheltered sites for power transformers and arc-suppression reactors and an annex to the shared services building.

November

- ČEZ Distribuce, a. s., opened another two technical consulting centers, in Kolín and Liberec.
- A “Blackout and Soft Targets” conference, attended by representatives of ČEZ Distribuce, a. s., was held at the Institute for Clinical and Experimental Medicine (IKEM) on November 18, 2019. The conference offered room for discussion, development of opportunities for cooperation, and proposals of options for dealing with emergencies, especially in relation to healthcare facilities.
- Reconstruction was started at the Krásné Březno transformer substation. The reconstruction project consists in replacing the control and protection system and failure-prone 22 kV metal-enclosed switchgear with modern gas-insulated metal-enclosed switchgear and replacing a power transformer with a new one.
- The construction of a new Polička 110/35 kV transformer substation was completed, which should improve power supply to the Polička area especially during failures of principal MV lines and enhance distribution capacity to meet demand for increased amounts of reserved capacity and new consumer connections.
- The construction of a new double-circuit HV overhead line between Hlinsko and Polička was completed. The line supplies power to the new Polička transformer substation.
- Construction was completed at the HTR Plzeň transformer substation. The construction project was aimed at constructing new 110 kV switchgear, including reconstruction of 110/22 kV transformation; building new transformer sites, which were fitted with a pair of 40 MVA transformers; installing new 110 kV gas-insulated switchgear in the shared services building and installing a new control and protection system; reconstructing internal consumption technology; adding two bays of 22 kV switchgear; and installing a new fence, including physical protection system technology.
- The construction of a new HV underground cable link between ELU III and HTR Plzeň was completed. The project was aimed at laying a new 110 kV underground cable to ensure reliable power transfer and supply to the Škoda industrial site in case of emergency or scheduled outages of the existing double-circuit 110 kV line.

December

- Martin Molinger was elected as member of the Board of Directors of ČEZ Distribuce, a. s., by a decision of the sole shareholder of December 9, 2019, with effect from January 1, 2020.
- The construction of a new Třebovice 110/22 kV transformer substation was completed, resolving issues with distribution previously provided by means of third-party facilities.
- Comprehensive renovation was completed in the Kolín-West transformer substation, whose technology and construction parts had been in unsatisfactory technical and mechanical condition.
- Construction work was completed on the replacement of phase conductors in the double-circuit 110 kV line between the Chrást and Nová Hospoda transformer substations. The construction project was aimed at comprehensively renovating the line, which had been in poor technical condition.

Key Events of 2020 until the Annual Report Closing Date

January

- Construction work started on the reconstruction of the Český Brod transformer substation, which involves modifications to 110 kV switchgear. The construction project is aimed at enhancing reliability by replacing pneumatic drives with electric drives; modifying control boxes; installing electrically driven selector switch disconnectors for reactors, including modifications to the existing control system; as well as replacing the busbar and repairing the foundations of steel structures, including paintwork, throughout the substation.

February

- Storm Sabine hit Czechia in the morning of February 10, 2020, causing restrictions for 306,000 service points. The windstorm hit the ČEZ Distribuce service area in two waves, with the afternoon wave being much stronger and more disastrous. The Company declared a state of disaster in seven regions. Power was restored in most of the supplied area during Monday and the state of disaster was terminated for most of the area in the evening.
- Windstorm Julie hit Czechia on February 23, 2020, cutting power to about 80,000 customers. However, the consequences of wind gusts were repaired so quickly that only 9 medium-voltage line failures were registered at 4 p.m.
- On February 27, 2020, the Board of Directors of ČEZ Distribuce, a. s., debated a letter of resignation received from Pavel Šolc and, at his request, approved the termination of his service as member of the Board of Directors with effect from March 31, 2020.

March

- Preventive measures were taken by ČEZ Distribuce, a. s., in connection with the occurrence and propagation of the SARS-COV-2 coronavirus in Europe in order to reduce the risk of infection among employees.
- Vladimír Říha was removed from the Supervisory Board of ČEZ Distribuce, a. s., with effect from March 31, 2020, and Marek Šlégel was elected as member of the Supervisory Board of ČEZ Distribuce, a. s., with effect from April 1, 2020, by a decision of the sole shareholder.

Governance Bodies

In accordance with applicable legislation and the bylaws of ČEZ Distribuce, a. s., the shareholders' meeting elects and removes members of the Board of Directors, two-thirds of Supervisory Board members, and members of the Personnel Committee. Employees elect one-third of Supervisory Board members from among Company employees.

Supervisory Board

The Supervisory Board is the Company's supervisory body; it supervises the exercise of the Board of Directors' powers and the conduct of the Company's business activities. Details of the Supervisory Board's sessions, approval procedure, meetings, and decision making are specified by the Rules of Procedure in accordance with the bylaws.

Supervisory Board Members as at the Annual Report Publication Date

Tomáš Pleskač (born 1966)

Chairman of the Supervisory Board since May 10, 2017

Member of the Supervisory Board since January 2, 2017

A graduate of the Faculty of Business and Economics, University of Agriculture (today Mendel University) in Brno; MBA from Prague International Business School.

He currently holds the position of Chief Renewables and Distribution Officer at ČEZ, a. s.

He is a member of the Board of Directors of ČEZ, a. s., and the Chief Executive Officer's deputy for new energy.

Michaela Chaloupková (born 1975)

Vice-Chairwoman of the Supervisory Board since May 10, 2017

Member of the Supervisory Board since April 1, 2017

A graduate of the Faculty of Law, University of West Bohemia, Plzeň, and an Executive Master of Business Administration (MBA) program at the KATZ School of Business, University of Pittsburgh, specializing in the energy sector.

She currently holds the position of Chief Administrative Officer at ČEZ, a. s. She is a member of the Board of Directors of ČEZ, a. s.

Jan Brožík (born 1972)

Member of the Supervisory Board since December 1, 2018

A graduate of the Faculty of Finance and Accounting, University of Economics, Prague; MBA from the University of Pittsburgh.

He currently holds the position of Director of Financing at ČEZ, a. s.

Marek Šlégl (born 1977)

Member of the Supervisory Board since April 1, 2020

A graduate of the Faculty of Law, University of West Bohemia, Plzeň. He currently holds the position of Director of Ownership Interest Administration at ČEZ, a. s.

Karel Čech (born 1958)

Member of the Supervisory Board elected from candidates elected by employees since September 1, 2018
A graduate of an industrial school of electrical engineering. He works as Head of MV/LV Construction East under the Distribution Asset Management section of ČEZ Distribuce, a. s.

Václav Rašner (born 1966)

Member of the Supervisory Board elected from candidates elected by employees since September 1, 2018
A graduate of a power engineering program at the Technical University of Ostrava. He works as a Technical Support Specialist in the Distribution Asset Management section of ČEZ Distribuce, a. s.

List of Supervisory Board Members Whose Membership Terminated in 2019 or until the Annual Report Closing Date

Vladimír Říha (born 1962)

Member of the Supervisory Board from March 1, 2016, to March 31, 2020

Board of Directors

The Board of Directors is the Company's statutory governing body, which manages its activities and acts on its behalf. Board of Directors members are elected and removed by the shareholders' meeting. The powers of the Board of Directors are defined by the Company's bylaws approved by the shareholders' meeting. The Board of Directors makes decisions on all Company matters unless they are reserved for another company body by law or the Company's bylaws. Details of the Board of Directors' sessions, approval procedure, meetings, and decision making are specified by the Rules of Procedure of the Board of Directors of ČEZ Distribuce, a. s. The Board of Directors has five members; Board of Directors members elect and remove their chairperson and vice-chairperson. Pursuant to law and the Company's bylaws, the Supervisory Board is notified of selected matters or asked for an opinion or prior authorization of the Board of Directors' decision.

Board of Directors Members as at the Annual Report Publication Date

Martin Zmelík (born 1975)

Chairman of the Board of Directors since August 1, 2018
A graduate of the Faculty of Business Administration, University of Economics, Prague; MBA from U.S. Business School Prague (Rochester Institute of Technology).

Radim Černý (born 1974)

Vice-Chairman of the Board of Directors since February 8, 2019
A graduate of the Faculty of Electrical Engineering, University of West Bohemia, Plzeň. He is a member of the Board of Trustees of the Czech Association of Regulated Power Supply Companies (CARPSC).

Michaela Kociánová (born 1969)

Member of the Board of Directors since February 1, 2019
A graduate of the Material Engineering program at the Technical University of Ostrava.

Martin Molinger (born 1985)

Member of the Board of Directors since January 1, 2020
A graduate of the Faculty of Informatics and Management, University of Hradec Králové.

Board of Directors Members Whose Membership Terminated in 2019 or until the Annual Report Closing Date

Jiří Kudrnáč (born 1965)

Member of the Board of Directors from April 1, 2015, to April 30, 2019

Karel Kohout (born 1953)

Member of the Board of Directors from March 1, 2017, to June 30, 2019

Tomáš Murtinger (born 1978)

Member of the Board of Directors from April 1, 2015, to June 30, 2019

Pavel Šolc (born 1962)

Member of the Board of Directors from April 1, 2016, to March 31, 2020

Principles of Remuneration of Members of the Board of Directors and Supervisory Board

The principles of remuneration of members of the Board of Directors and the Supervisory Board are governed by rules approved by the Company's shareholders' meeting and incorporated in service contracts with members of the Board of Directors and the Supervisory Board, as approved by a decision of the sole shareholder exercising the powers of the shareholders' meeting.

Specific tasks for individual Board of Directors members are also approved by a decision of the sole shareholder exercising the powers of the shareholders' meeting, as is the assessment of their fulfillment, which, in accordance with the rules of unbundling, is dependent solely on the Company's performance. Such specific tasks are evaluated annually.

ČEZ Distribuce, a. s., did not grant any credit or loan to members of the Board of Directors or the Supervisory Board and did not assume any liability or guaranty or performance on their behalf in 2019.

Board of Directors Members



Martin Zmelík
Chairman of the
Board of Directors



Radim Černý
Vice-Chairman of the
Board of Directors



Martin Molinger
Member of the
Board of Directors



Michaela Kociánová
Member of the
Board of Directors

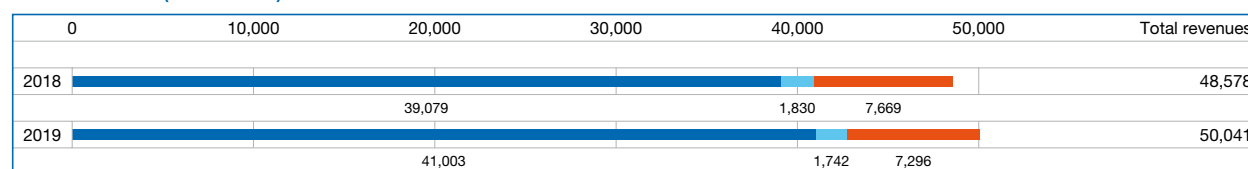
Report on Operations

Financial Performance

The joint-stock company ČEZ Distribuce was formed under the Draft Terms of Domestic Merger by the Formation of a New Company with the merger record date of January 1, 2010, and came into existence by registration in the Commercial Register kept by the Regional Court in Ústí nad Labem, Section B, File 2145, on October 1, 2010. Its core business is providing electricity distribution system services to individuals and legal entities.

Revenues, Expenses, and Income

Income Structure (CZK Millions)



- Expenses
- Income tax
- Net income

The Company's 2019 income before taxes was CZK 9,038 million. Its net income of CZK 7,296 million represents a decrease of CZK 373 million as compared to 2018.

Operating income was CZK 9,548 million, which is CZK 123 million less than in 2018, primarily due to increased operating expenses. Financing activities generated a loss of CZK 510 million due to interest on borrowings; the loss increased by CZK 338 million as compared to 2018.

Total expenses without income tax were CZK 41,003 million in 2019. The highest amounts were expended on covering costs associated with support for renewable electricity, on purchasing system, transmission, and distribution services, and on purchasing electric power to cover losses, totaling CZK 24,048 million, followed by depreciation and amortization of noncurrent assets of CZK 7,690 million, other expenses on production-related consumption of CZK 4,540 million, personnel expenses of CZK 4,178 million, other expenses arising from operating activities of CZK -408 million, and financial expenses of CZK 955 million.

Total 2019 revenues amounted to CZK 50,041 million and consisted of revenue from distribution system services amounting to CZK 48,199 million, other revenues of an operating nature amounting to CZK 1,397 million, and financial revenue amounting to CZK 445 million.

Asset and Capital Structure

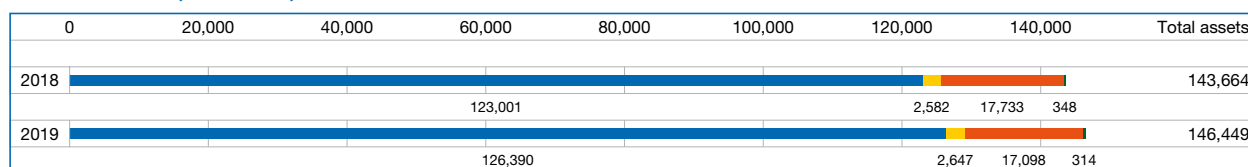
Assets

Total assets amounted to CZK 146,449 million, increasing by CZK 2,785 million against 2018.

Fixed assets amounted to CZK 129,037 million, increasing by CZK 3,453 million as compared to 2018. The most significant item was structures amounting to CZK 97,099 million, followed by tangible movable assets and sets thereof amounting to CZK 27,751 million, tangible fixed assets in progress amounting to CZK 2,427 million, land amounting to CZK 947 million, and intangible fixed assets amounting to CZK 645 million.

Current assets decreased by CZK 669 million year-on-year in 2019, amounting to CZK 17,393 million. The highest amounts were contingencies amounting to CZK 11,369 million, which represent mostly unbilled deliveries of services relating to electricity distribution, short-term receivables from Group companies within Group cash pooling amounting to CZK 4,161 million, short-term trade receivables amounting to CZK 1,343 million, materials amounting to CZK 257 million, and short-term advances paid amounting to CZK 200 million. Accruals amounted to CZK 19 million, remaining unchanged as compared to 2018.

Structure of Assets (CZK Millions)



- Property, plant, and equipment and intangibles in use
- Fixed tangible and intangible assets in progress + advances paid
- Short-term receivables
- Other current assets + other assets

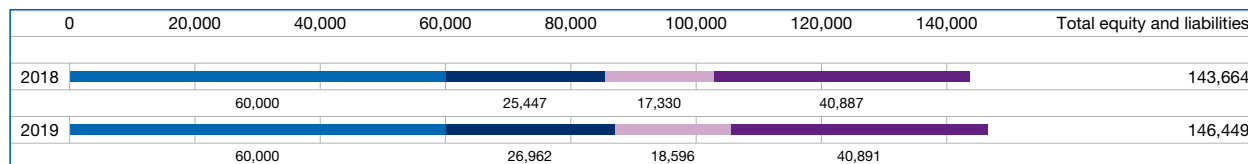
Equity and Liabilities

Equity amounted to CZK 86,962 million, increasing by CZK 1,515 million as compared to 2018. The highest items of equity were the stated capital registered in the Commercial Register, amounting to CZK 60,000 million, legal reserve of CZK 12,000 million, retained earnings of CZK 7,669 million, and the current period's profit of CZK 7,296 million.

Provisions and liabilities amounted to CZK 51,215 million, increasing by CZK 941 million year-on-year. The highest amounts were long-term liabilities to Group companies of CZK 19,660 million, short-term received advances of CZK 12,019 million, deferred tax liability of CZK 11,557 million, short-term trade payables of CZK 3,044 million, contingent liabilities of CZK 2,167 million, and other provisions of CZK 1,401 million.

Other liabilities, consisting primarily of deferred revenue from connection applicants' contributions, amounted to CZK 8,272 million, increasing by CZK 329 million over the previous period.

Structure of Equity and Liabilities (CZK Millions)

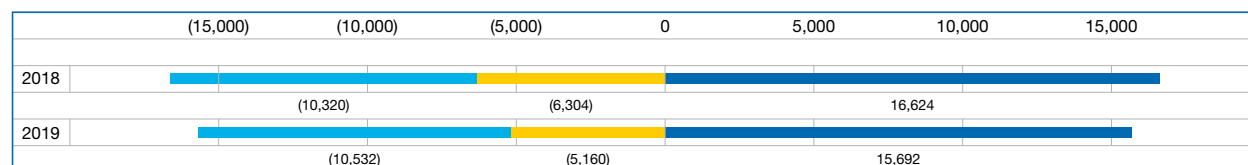


- Stated capital
- Additional paid-in capital + funds from net profit + retained earnings + current year's profit
- Current liabilities
- Provisions + long-term liabilities + bank loans and short-term notes + other liabilities

Company Financing

Cash Flows

Cash Flow Summary (CZK Millions)



- Investing activities
- Financing activities
- Operating activities

Cash from operating activities, amounting to CZK 15,692 million, was generated by the following:

Profit on ordinary activities before taxes	9,038
Corporate income tax paid	(1,674)
Depreciation and amortization of fixed assets, write-offs	7,731
Changes in working capital	180
Other operating activities	417

Cash used in investing activities totaled CZK 10,532 million, with expenditures on purchases of fixed assets of CZK 10,569 million accounting for the greatest part thereof.

Cash used in financing activities totaled CZK 5,160 million; the amount included the payment of dividends amounting to CZK 5,777 million, change in cash under Group cash pooling of CZK -1,407 million, and change in the balance of loans of CZK 790 million.

Borrowings and Their Maturity

As at December 31, 2019, the Company had loans amounting to CZK 20,220 million (maturing on December 31, 2025, and September 25, 2028). Of that amount, the long-term portion of loans amounted to CZK 19,660 million and the current portion amounted to CZK 560 million.

Key Financial Indicators

	Unit	2018	2019
Return on equity, net (ROE Net)	%	8.12	8.46
Return on assets, net (ROA Net)	%	5.29	5.03
EBIT margin	%	20.15	19.25
Financial debt to equity	%	22.7	23.46
Net debt to EBITDA	%	155.90	160.20
Current ratio	%	71.54	64.80
Operating cash flow to debt	%	52.54	50.27
Asset turnover	1	0.34	0.34
Fixed asset coverage	%	93.24	91.59
Depreciation-to-fixed assets ratio	%	55.33	55.54

Economic and Financial Outlook for 2020

The year 2020 is the fifth year of the fourth regulatory period. The plan for purchases and sales of services relating to electricity distribution is based on the estimated consumption of electricity in the region served by ČEZ Distribuce, a. s., in 2020 and on prices set by the Energy Regulatory Office for 2020, which reflect the principles of regulated prices for both purchases and sales. The principles should ensure coverage of a distribution company's legitimate costs, including the generation of resources for distribution system renovation and development and revenue for shareholders.

The Company's plan for 2020 estimates revenue from sales of own products and services at CZK 49,186 million, income before taxes at CZK 8,861 million, and capital expenditures at CZK 12,480 million.



GROWING WITH US





We give electrical program students a lot of opportunities to put theory into practice and find a job they will love

The Prokop Diviš Incentive Program is targeted at electrical program students from selected secondary schools across regions. Young electrical engineers are motivated to achieve good academic performance by an award and financial reward from ČEZ Distribuce and get an advantage in finding a job with our company.

Distribution Finals are three-day internships focusing on electricity distribution for students from secondary schools partnering with CEZ Group. Students learn plenty of useful information there, which is then complemented by a demonstration of practice. We organize the event at three of the Company's sites.

The Company takes an active part in a project applying dual education elements that is organized by the Moravia-Silesia Region as an education authority, the Confederation of Industry, and the Ministry of Education in collaboration with local employers. When selected students from the Secondary School of Electrical Engineering in Ostrava leave the school in two years, they will have hundreds of hours of practice, giving them an edge over their schoolmates.

Graduate/Intern program—1 to 2-year development program for fresh secondary school, college, and university graduates offering participants an opportunity to test their knowledge under the leadership of experienced specialists and orient toward their target position.

Live Job Library—Debates at schools aiming to present our Company's activities in an attractive way and approach young people to make the energy sector their first career choice.

Capital Expenditures

Principal Goals of Capital Construction

The Company expended CZK 10,904 million on distribution system renovation and development in 2019. The principal objective of capital expenditures is improving the quality, reliability, and safety of electricity supplies. Capital expenditures went into grids at all voltage levels and were made across all asset groups, including expenditures on the development of automated grid control. In the field of new technologies, capital expenditures were made primarily on projects for the installation of remotely controlled elements in medium-voltage grids, followed by projects for the installation and addition of metering equipment at distribution substations. Our optical infrastructure development project entered its next stage.

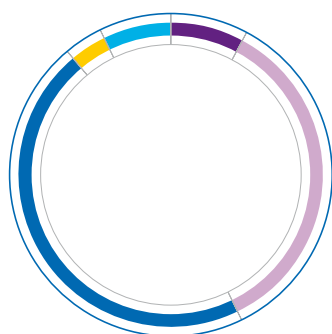
Capital Expenditures in 2018 and 2019, Plan for 2020

Capital Expenditures (CZK Millions)

	2018	2019	Plan for 2020
HV structures	866	844	946
MV structures	3,503	3,779	4,146
LV structures	4,959	5,050	5,410
Electricity meters	530	482	561
Ancillary expenditures	836	749	1,417
Total	10,694	10,904	12,480

Capital Expenditures in 2019

	%
● HV structures	8
● MV structures	35
● LV structures	46
● Electricity meters	4
● Ancillary expenditures	7
Total	100



Capital Expenditures on the Distribution System

Capital expenditures in 2019 were principally focused on MV and LV structures. CZK 8,829 million was expended on such assets in 2019. Most of the projects involved reconstructing and renovating underground and overhead lines, as well as constructing the MV parts of HV/MV transformer substations and MV/MV switching substations. Capital expenditures on HV structures amounted to CZK 844 million. Most of the projects concerned reconstructing and constructing new HV/MV transformer substations and HV overhead lines. CZK 1,231 million was expended on activities supporting main distribution processes, in particular the enhancement of operating and control systems and purchases of electricity meters. Capital expenditures on projects initiated at customers' requests totaled CZK 2,983 million.

Major Projects

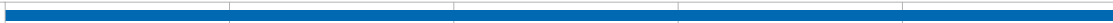

- Chrást–Nová Hospoda, conductor replacement
- Hlinsko–Polička, new 110 kV line
- Chotějovice, substation reconstruction
- Beroun, transformer substation reconstruction
- Řeporyje–Tuchlovice, new 110 kV line
- Třebovice, new 110/22 kV transformer substation
- Hoštice, 110 kV substation reconstruction
- Šternberk, 22 kV substation reconstruction
- Hněvotín industrial park—new 110/22 kV transformer substation
- Hněvotín industrial park—new 110 kV line

Information on the Company's Core Business

The Company's core business is providing electricity distribution services to individuals and legal entities. The Company manages distribution system assets and controls the operation of the distribution system from its control center.

In 2019, the distribution system was operated and maintained in line with quality standards and requirements defined in the Preventive Maintenance Regulations. Continuous operation of the distribution system during the year was negatively affected by ten large-scale failures caused by severe weather, during which there were 6,341 emergency interruptions of electricity distribution with impacts on customers that lasted more than three minutes. Besides those interruptions, there were other unplanned interruptions that lasted more than three minutes and affected at least one customer: 35 interruptions at the HV level, 5,953 interruptions at the MV level, and 21,546 interruptions at the LV level. In addition, 6,868 damaged fuses were replaced in customers' main fuse boxes or feeder boxes. The Company monitors and evaluates indicators concerning the quality and reliability of electricity supply and distribution and the quality of provided services. One of the indicators is the System Average Interruption Duration Index (SAIDI), which represents the total average outage duration per customer during a whole year. The value includes all emergency and planned interruptions that occurred directly in the Company's distribution system during the year. Exemptions are interruptions due to severe weather, which are excluded from the value.

System Average Interruption Duration Index (Minutes)

	0	50	100	150	200	Total
2018						246.8
2019						232.6

ČEZ Distribuce, a. s., owns and operates the following distribution system assets:

Distribution System Infrastructure

	Unit	2018	2019
Installed line length	km	165,133	165,835
Of which: HV	km	9,945	10,002
MV	km	50,881	51,006
LV	km	104,307	104,827
MV/LV transformer substations	Number	59,175	59,552
Of which: Owned by the Company	Number	46,319	46,636
Owned by a third party	Number	12,856	12,916
HV/HV, HV/MV transformer substations	Number	289	287

The Company's distribution system distributed 44,524 GWh of electricity in 2019.

Annual Figures on Electricity Distribution (GWh)

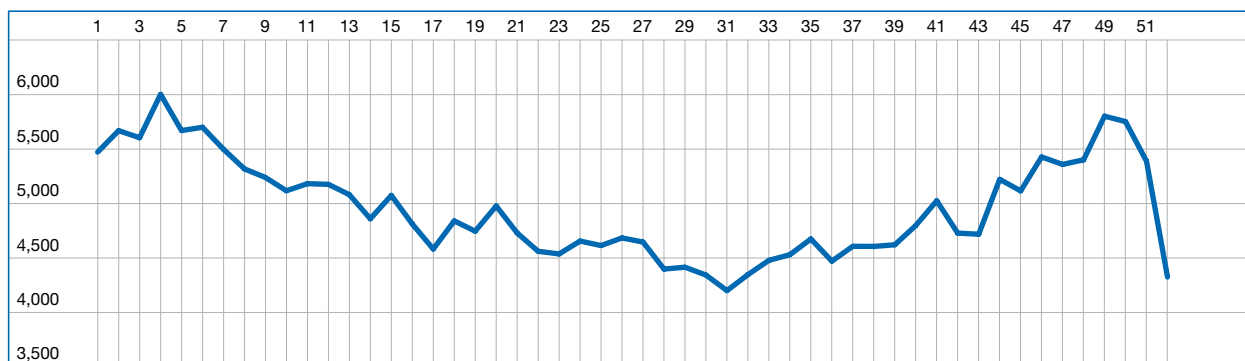
	2018	2019
System inflow		
Supplied from transmission service provider's grid	27,738	28,743
Supplied from facilities owned by ČEZ, a. s.	3,675	3,248
Supplied from neighboring distribution service providers	1,064	1,210
Supplied from facilities owned by other producers, including autoproducers	10,408	8,446
Supplied from other facilities	49	19
Imports (from abroad) at distribution service level	13	3
Distribution license holders (local distribution system)	3,053	2,855
Total system inflow	46,000	44,524
System outflow		
HV/MV customers	13,914	13,415
LV customers	14,382	14,551
Consumed by producers in distribution service provider's grid	1,860	1,864
Consumed by other facilities	49	19
Supplied to neighboring distribution service providers	6,740	5,956
Supplied to transmission service provider's grid	619	124
Exports (to abroad) at distribution service level	413	408
Distribution license holders (local distribution system)	5,824	6,032
Other consumption by distribution service provider	52	49
Losses	2,147	2,106
Total system outflow	46,000	44,524

Electricity inflow into the Company's distribution system was 44,524 GWh in 2019. This was a decrease of 3.21%, or 1,476 GWh, as compared to 2018. The greatest percentage, 64.56%, was electricity inflow from the transmission service provider's grid, which was 28,743 GWh. This was an increase of 1,005 GWh compared to 2018. The amount of electricity procured directly from the facilities of ČEZ, a. s., was 3,248 GWh, which was 427 GWh less than in 2018. Supplies from neighboring distribution service providers increased by 146 GWh year-on-year; supplies from facilities owned by other producers, including autoproducers, decreased by 1,962 GWh. The amount of electricity from other facilities decreased by 30 GWh. Imports from abroad decreased by 10 GWh; supplies from local distribution systems decreased by 198 GWh.

The amount of electricity distributed to HV and MV customers decreased by 499 GWh year-on-year; electricity distributed to customers at those voltage levels accounted for 30.13% of total supplies. The amount of electricity distributed at LV level increased by 169 GWh and accounted for 32.68% of total supplies. Producers' consumption increased by 4 GWh as compared to 2018; other facilities' consumption decreased by 30 GWh. Supplies to neighboring distribution service providers decreased by 784 GWh year-on-year; they account for 13.38% of the total amount of electricity distributed. The amount supplied back to the transmission service provider's grid decreased by 495 GWh. Exports to abroad amounted to 408 GWh, decreasing by 5 GWh year-on-year. Supplies to local distribution systems increased by 208 GWh in a year-on-year comparison. Other consumption and losses decreased by 3 GWh and 41 GWh, respectively.

The highest hourly peak of 6,002 MW was achieved on January 23, 2019, at 6 p.m.

Weekly Peaks (MW)



ČEZ Distribuce, a. s., sells its electricity distribution services to customers through electricity traders or by direct sales. ČEZ Distribuce, a. s., had a framework contract with 129 active traders in 2019.

Number of Service Points

	Unit	2018	2019
HV, MV – large end-use customers	Number	14,861	14,846
LV – commercial retail	Number	437,262	437,932
LV – residential retail	Number	3,221,785	3,245,442
Total		3,673,908	3,698,220

Approximately 24,000 new service points were connected in 2019. Additionally, 2,342 new generating facilities with a total installed capacity of 167.5 MW were connected in 2019. CZK 821 million was collected from customers in contributions towards connection and capacity increases pursuant to Decree No. 16/2016 Sb., on conditions for connection to the electricity system, and CZK 2,514 million was expended on fulfilling their requests in 2019.

New Connections, Increased Capacity

Voltage Level	Expenditures on the distribution system (CZK millions)	Contributions collected (CZK millions)	Connected or increased (MW)
HV	16	23	66
MV	391	208	267
LV	2,107	590	653
Total	2,514	821	986

Safety and Quality Management, Environmental Protection

Occupational Safety and Health

An optimally adjusted safety management system allowed the Company to keep a positive development trend in occupational safety and hygiene in the work environment. The excellent results in this area were significantly helped by a certified OSH management system, implemented in compliance with the “Safe Enterprise” program. The OSH and fire safety management program in place was verified by an internal audit conducted by ČEZ, a. s., which found the process fully functional. Nineteen time-loss injuries with a total of 1,775 days off work occurred at ČEZ Distribuce, a. s., in 2019. All of the injuries were duly investigated.

Quality Assurance

The Company applies quality standards within all processes. Key process indicators and required process outputs are reviewed by internal audits, checks, and other feedback tools. Compliance with qualitative indicators and targets is part of employee performance appraisal and an incentive component of pay. The quality of management relies on a uniform technical policy, standardization, technical standardization, and provision of preventive maintenance. The compliance of management systems, certified to ČSN EN ISO 14001, ČSN EN ISO 50001, and the “Safe Enterprise” program (applying OHSAS 18001 requirements), and also to ČSN EN ISO 9001 for certain processes, is regularly audited by a certification company.

Fire Prevention

Fire protection focused on the continuous creation of conditions for safe distribution system operation, the protection of employees and assets, and continuous fire prevention.

The system of fire protection management and performance was supported by inspection and audit activities according to approved annual plans. Activities ensuring fire prevention included updates to fire protection documents, staff training, and special training.

A fire causing damage in excess of CZK 1 million occurred at the Company in the period concerned.

Since fire protection requires systematic management, work on the creation of new control and record-keeping software was underway.

Environmental Protection

In compliance with applicable law, ČEZ Distribuce, a. s., is continuously committed to creating the conditions for effective protection of the environment and its compartments. Specialized Company employees in charge of environmental care attended actively to all environmental compartments, especially waste and water management, accident prevention, cleanup of old environmental burdens, avian protection, and climate protection. There are a total of 78 sites with old environmental burdens within the service area of ČEZ Distribuce, a. s. Some environmental burdens were already cleaned up in the past years and preparations for remediation processes are underway for others. By the end of 2019, environmental burdens had been removed at 48 sites. Monitoring to complement original surveys or burden documentation updates are carried out at 28 sites; active remediation is underway at two sites.

ČEZ Distribuce is implementing a project for “Perch Guard Installation on MV Line Support Structures” in order to provide all medium-voltage lines with sufficient technical measures to protect birds by 2025. A total of 19,593 support structures for medium-voltage power lines were made safe for birds in the course of 2019. ČEZ Distribuce owns and manages approximately 475,000 MV support structures; 60% of them are already safe for birds. There are still about 200,000 support structures to be made safe. We expended almost CZK 210 million on such measures in 2006 to 2019.

An external EMS surveillance audit, verifying the validity of certification to ČSN EN ISO 14001 for up to 2020, and a recertification audit to ČSN EN ISO 50001 (EnMS) were successfully conducted in October. The latter audit verified compliance of the Company’s energy management system in the operation of technical and nontechnical distribution system facilities with the requirements of the standard.

Shares and Shareholders

The total amount of the stated capital of ČEZ Distribuce, a. s., registered in the Commercial Register at the closing date of the Annual Report was CZK 60,000 million. The Company's sole shareholder is ČEZ, a. s. (www.cez.cz), having its registered office at Praha 4, Duhová 2/1444, postcode 140 53, company registration number 452 74 649, holding a 100% stake in the stated capital of ČEZ Distribuce, a. s.

Classes and Volumes of Issued Stock

The stated capital is divided into 600 registered materialized common shares of stock with a nominal value of CZK 100 million. The common shares of stock are replaced with a Stock Certificate with a total nominal value of CZK 60,000 million issued to ČEZ, a. s., having its registered office at Praha 4, Duhová 2/1444, postcode 140 53, company registration number 452 74 649. The Company did not acquire any treasury shares in 2019.

Technologies are part of modern society, and ČEZ Distribuce is engaged

ČEZ Distribuce has tested and deployed new technologies and smart grid elements under pilot and implementation projects for almost ten years. It intends to expend billions of CZK on automation, control, monitoring, metering, and data processing applications in connection with the overall digitization of power grids.

An example of top-level collaboration is the completion of the InterFlex European project, which, in the case of the Czech demonstration package, demonstrated a substantial increase in the connectivity of decentralized sources and electric vehicles resulting from smart inverter functions, energy storage, reactive power control, and smart control of charging stations. Having a total of 20 partners and a budget of over EUR 22 million, the project met the stringent criteria of the Horizon 2020 grant program and promoted standardization for the solutions tested. All results are published at <https://interflex-h2020.com/>.





ENERGY WITHIN REACH



Human Resources

Employment Changes

In the field of labor relations and welfare policy, the Company strove to maintain social peace, respecting the Labor Code and related legislation as well as collective agreements in effect at ČEZ Distribuce, a. s.

New Hires and Exits in 2019

	Number of employees
New hires	256
Exits	219

The workforce headcount as at December 31, 2019, was 4,590 employees.

Education and Training

Like in previous years, ČEZ Distribuce, a. s., concentrated on developing and maintaining key employee competences, that is, both hard and soft skills, in 2019. To this end, employees attended both internal open courses and external training, workshops, seminars, conferences, as well as custom-tailored courses provided according to their needs and interests. Such courses dealt with the use of MS Office, communication, managerial, and presentational skills, conduct in stressful situations, work-life balance, and more. Team-building events were also organized to improve communication within teams. In addition, individual employee development by means of internal mentoring and coaching proved to be worthwhile again. The Company expended a total of CZK 27 million on employee development in 2019.

Welfare Policy

ČEZ Distribuce, a. s., provides its employees with monetary and nonmonetary benefits. As regards nonmonetary benefits, employees take advantage especially of shortened working time and an additional week of vacation beyond the entitlement resulting from the Labor Code. The company paid for vaccination against tick-borne encephalitis for selected professions that need it due to the nature of their work. ČEZ Distribuce, a. s., expended CZK 258 million on monetary benefits in 2019. Key items that the Company made contributions to in the past year included, most importantly, a Cafeteria, contributions to retirement plans and life insurance, meal plans, health care, and milestone birthday rewards.

Relations with Labor Unions

There were a total of 33 local labor unions operating at ČEZ Distribuce, a. s., in 2019. Almost 2,400 employees were local union members. Collective bargaining on an amendment to the effective collective agreement took place in 2019, concerning mainly wages, salaries, and benefits. The collective bargaining culminated in the signing of Amendment 15 to the collective agreement. There were a total of 23 regular meetings held between the employer and labor union representatives in 2019, at which information was presented to the labor organizations and topics set down by the Labor Code and the collective agreement were discussed.

Research and Development

ČEZ Distribuce, a. s., put up 27 topics for master's and bachelor's theses for students from schools with electrical engineering programs in 2019, focusing on a range of topics associated with electricity generation and distribution. Three topics are being worked on at the moment.

Another activity that ČEZ Distribuce, a. s., was actively engaged in was the implementation of applied research, experimental development, and innovation programs, including programs launched by the Technology Agency of the Czech Republic, where the Company acts as an application supervisor.

The SecureFlex project under the Theta program focuses on safe utilization of capacity flexibility for system management and business purposes. The ES4G project was started under the same program, aiming to develop and test methods that will be capable of optimizing energy flows in order to improve energy performance in the operation of a given grid with a maximum share of renewables and to improve energy security in a given agglomeration.

Work on projects for new energy network elements and technologies and for research into safe communications technologies for smart communications networks in the energy sector was started in 2019 under the National Competence Center program, aiming to promote long-term collaboration between research and application communities and reinforce the institutional basis of applied research. Extensive measurements took place in selected locations in 2019 to verify the availability of LPWAN technologies.

In addition, ČEZ Distribuce, a. s., carried out the following studies and analyses and undertook pilot projects for new technologies in medium- and low-voltage grids:

- Pilot projects for new technologies:
 - InterFlex, cofinanced by Horizon 2020, the EU Framework Program for Research and Innovation, where activities carried out in 2019 included construction work on the installation of charging points and the testing of inverters in photovoltaic generating facilities with and without energy storage to test the effect of rapid charging of electric vehicles on the possible deterioration of some electricity quality parameters and to research voltage stabilization in medium- and low-voltage distribution grids with a high proportion of renewables and dispersed generation
 - Implementation and practical testing of BPL communication on a 22 kV cable line
 - Testing of Internet of Things application technologies that were identified as suitable for distribution purposes, such as icing and wind identification, broken seal detection, basic data collection, and designing of a calculation methodology for assessing the reliability of individual distribution system elements (element reliability)
- Testing of generators with controllers for the management/ utilization of excessive renewable generation, which, according to current experience, can cause deterioration in certain electricity quality parameters or affect metering
- Study—Aerial Power Line Monitoring

Donations and Sponsorship Program

Donations

ČEZ Distribuce, a. s., contributed a total of CZK 100 million to projects undertaken by the ČEZ Foundation (www.nadacecez.cz) in 2019. The ČEZ Foundation's support went into developing leisure-time activities for children and youth, improving the quality of life for disadvantaged people, and improving the civic amenities of municipalities in regions where ČEZ Distribuce, a. s., operates.

Donations made directly by ČEZ Distribuce, a. s., totaled CZK 5.13 million in 2019. The amount was divided among 10 selected projects, which provided support to the health service and prevention sector, education, improvement in social care, and the revitalization of several urban parks and playgrounds.

The Company contributed CZK 3.97 million to the CEZ GROUP SENIORS Endowment Fund in 2019.

Developments in the Legislative Framework for the Energy Sector

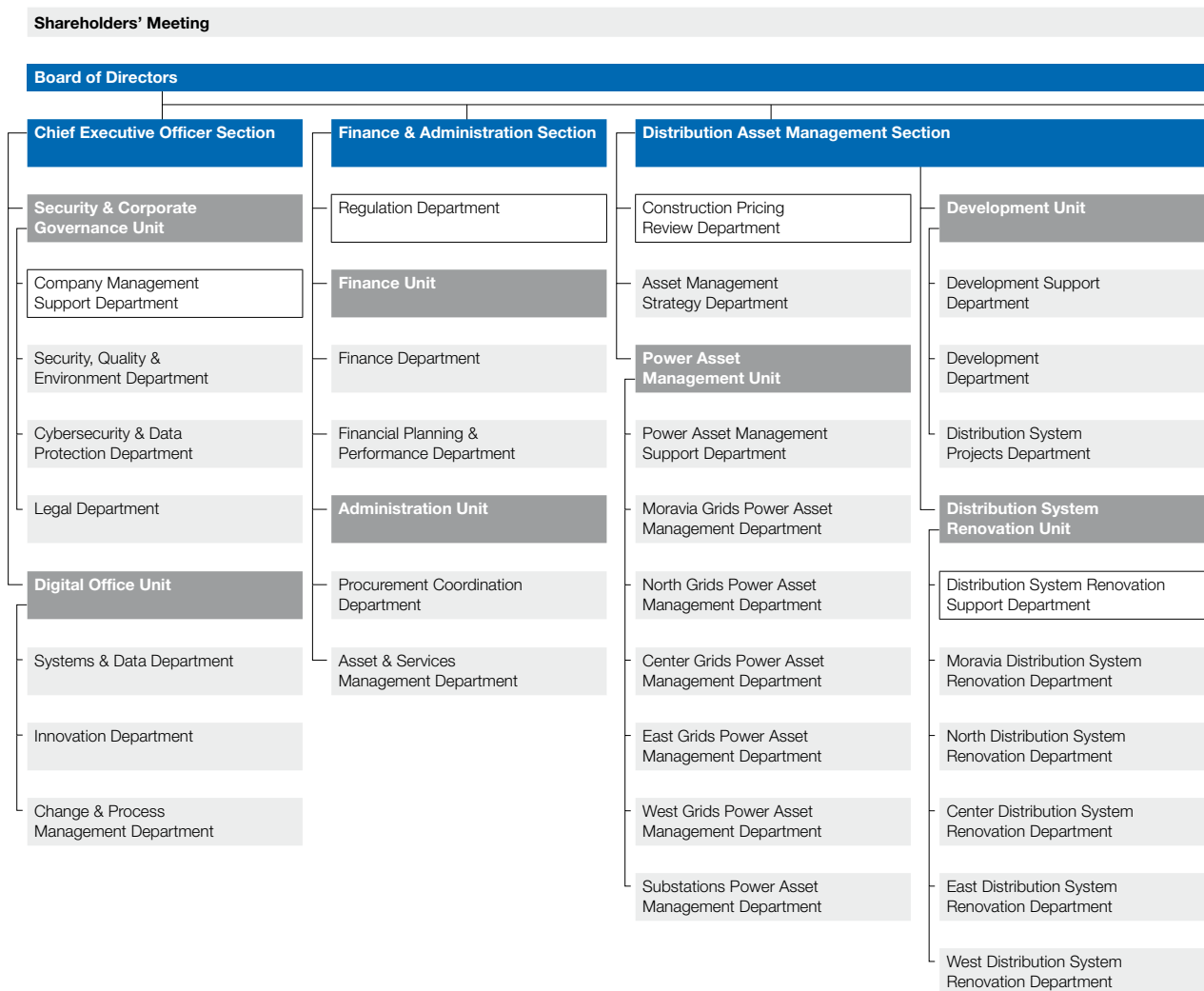
The basis of the legislative framework for electricity distribution consists of the following regulations, as amended from time to time (for more information, visit <http://www.cezdistribuce.cz/cs/energeticka-legislativa.html>):

- Act No. 458/2000 Sb., on the conditions for doing business and exercising state administration in energy industries and on amendments to some acts (Energy Act)
- Act No. 165/2012 Sb., on supported energy sources and on amendments to some acts (Supported Sources Act)
- Act No. 406/2000 Sb., on energy management
- Act No. 194/2017 Sb., on measures to reduce the cost of deploying high-speed electronic communications networks and on amendment to certain related acts
- Act No. 183/2006 Sb., on land use planning and the building code (Building Act)
- Decree No. 408/2015 Sb., on Electricity Market Rules
- Decree No. 194/2015 Sb., on the manner of price regulation and procedures for price regulation in the electricity and heat sectors
- Decree No. 262/2015 Sb., on regulatory reporting
- Decree No. 540/2005 Sb., on the quality of electricity supplies and related services in the electricity sector
- Decree No. 70/2016 Sb., on the billing of supplies and related services in the energy sectors
- Decree No. 80/2010 Sb., on a state of emergency in the electricity sector and on requirements for the contents of an emergency plan
- Decree No. 8/2016 Sb., on the details of licensing for doing business in the energy sectors
- Decree No. 16/2016 Sb., on conditions for connection to the electricity system
- Decree No. 82/2011 Sb., on electricity metering and the method for determining damages in case of unauthorized consumption, unauthorized supply, unauthorized transmission, or unauthorized distribution of electricity
- Decree No. 9/2016 Sb., on procedures for the registration of support with the market operator and the implementation of some other provisions of the Supported Energy Sources Act (Registration Decree)

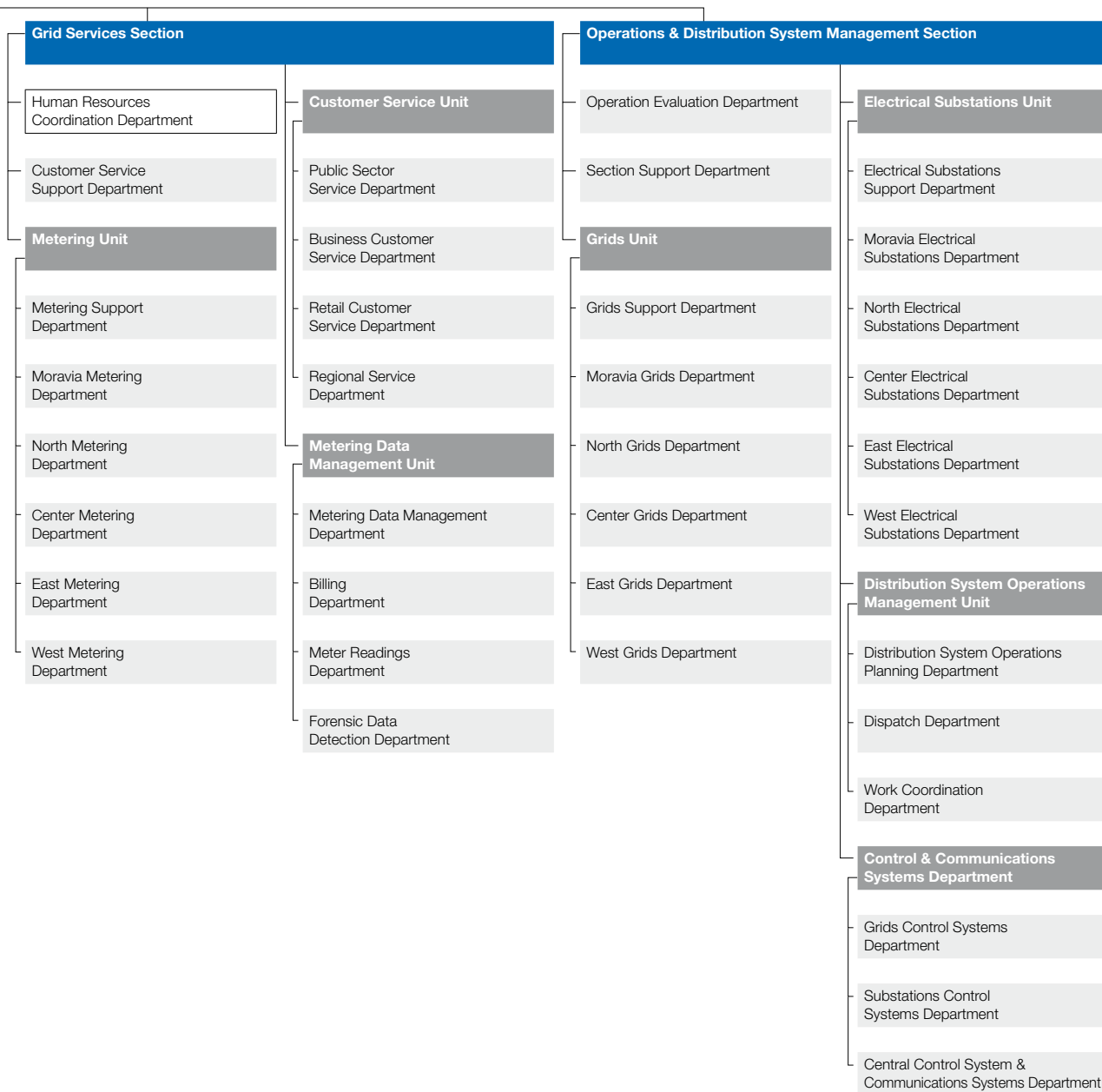
None of the above-mentioned legal regulations was updated or republished in 2019; only the Distribution System Operation Rules were updated.

Disclaimer:
The Developments in the Legislative Framework section contains selected information concerning legislation and was drawn up with the greatest care possible. However, it cannot be regarded as qualified legal advice. ČEZ Distribuce, a. s., may not be held liable for any legal act performed or refrained from by anyone on the basis of the provided overview.

Basic Organization Chart of ČEZ Distribuce, a. s., as at April 1, 2020



Supervisory Board



Glossary of Terms and Abbreviations

Glossary of Terms and Abbreviations

Terms and Abbreviations	Commentary
BPL—Broadband over Powerline	Communication over LV and MV power lines
Cash pooling	A method for optimizing bank account management. Using this method, participating companies' account balances are consolidated on a daily basis. Contractual credit and debit interest is calculated for accounts included in the cash pool.
Distribution system (DS)	An interconnected set of 110 kV lines and equipment, except selected 110 kV lines and equipment that are part of the transmission system, and 0.4/0.23 kV, 3 kV, 6 kV, 10 kV, 22 kV, and 35 kV lines and equipment that serve to distribute electricity in a defined area of Czechia, including metering, protective, control, safeguarding, information, and telecommunications systems.
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation, and amortization
Electricity market operator (OTE)	A joint-stock company founded by the government, whose task is to organize the electricity market in Czechia, reconcile agreed and actual supply and consumption for market participants, ensure the settlement of differences between agreed and actual supplies, and organize the electricity spot market.
ELU	A power plant at the industrial site of Škoda Plzeň
ES4G—Energy System for Grids	A smart system for energy management in energy grids
Framework contract	A contract entered into by a trader and a distributor when the trader has at least one customer with an integrated contract.
FRS	Fire Rescue Service
HTR	Main transformer substation
HV	High voltage—distribution infrastructure with phase-to-phase voltage over 52 kV
Interruption Duration Index	An indicator of continuity in electricity distribution. The average total duration of interruption in electricity distribution to customers in a system over a reported period. Presented as minutes/year/customer.
IoT—Internet of Things	New technology interconnecting machines, devices, and buildings
Large customers	Customers that use electricity from medium- and high-voltage grids
LPWAN	Low-power wide-area network
LV	Low voltage—distribution infrastructure with phase-to-phase voltage of 1 kV or less
MV	Medium voltage—distribution infrastructure with phase-to-phase voltage from 1 kV to 52 kV
OSH	Occupational safety and health
Renewable energy sources (RES)	Sources of energy that are naturally replenished. This means the energy of water, geothermal heat, sunlight, and wind or energy obtained by biomass combustion.
Retail customers	The category of electricity consumption consisting of electricity customers connected to low-voltage grids (up to 1 kV). The category is subdivided into the residential and commercial retail segments.
ROA	Return on assets
ROE	Return on equity
SAIDI—System Average	An indicator of continuity in electricity distribution. The average total duration of interruption in electricity distribution to customers in a system over a reported period. Presented as minutes/year/customer.
Transmission system (TS)	An interconnected set of 400 kV and 220 kV lines and equipment and selected 110 kV lines and equipment that serves for electricity transmission throughout Czechia and interconnection with the electricity systems of neighboring countries, including metering, protective, control, safeguarding, information, and telecommunications systems. The transmission system is built and operated in the public interest.

List of Units and Abbreviations Used

Unit	Name
GWh	Gigawatt-hour; 1 GWh = 10 ⁹ Wh = 10 ⁶ kWh; Wh = unit of energy
km	Kilometer
kV	Kilovolt; 1 kV = 10 ³ V; V = unit of electric potential (voltage)
kW	Kilowatt; 1 kW = 10 ³ W; W = unit of power
m	Million
MVA	Megavolt-ampere; 1 MVA = 10 ⁶ VA; VA = unit of apparent (total) power
MW	Megawatt; 1 MW = 10 ⁶ W = 10 ³ kW; W = unit of power

Methods Used to Calculate Financial Indicators

Indicator	Description
Current Ratio	(Current Assets + Accruals) / (Current Liabilities + Short-Term Bank Loans and Notes + Accruals)
Total Debt to Total Capital	(Long-Term Liabilities including Current Portion + Short-Term Loans) / (Long-Term Debt including Current Portion + Short-Term Loans + Equity)
Net Debt	Long-Term Liabilities including Current Portion + Short-Term Loans – Cash and Cash Equivalents – Highly Liquid Financial Assets
Net Debt to EBITDA	(Long-Term Liabilities including Current Portion + Bonds + Short-Term Loans – Cash and Cash Equivalents – Highly Liquid Financial Assets) / Earnings before Taxes and Other Expenses and Revenues + Depreciation and Amortization
Net Income	Earnings after Taxes (profit or loss in the reporting period)
EBIT	Earnings before Taxes and Other Expenses and Revenues
EBIT Margin	EBIT / Operating Revenue
EBITDA	Earnings before Taxes and Other Expenses and Revenues + Depreciation and Amortization
Financial Debt to Equity	(Long-Term Liabilities including Current Portion + Bonds + Short-Term Loans) / Average Equity
Fixed Asset Coverage	(Equity + Noncontrolling Interests + Long-Term Liabilities + Deferred Tax Liability) / Fixed Assets
Asset Turnover	Total Operating Revenue / Average Assets
Operating Cash Flow to Debt	Operating Cash Flow / Long-Term Liabilities
Return on Assets, Net (ROA Net)	Earnings after Taxes / Average Total Assets
Return on Equity, Net (ROE Net)	Earnings after Taxes / Average Equity
Depreciation-to-Fixed Assets Ratio	-1 * (Accumulated Depreciation and Allowances for Tangible Fixed Assets) / Depreciated Tangible Fixed Assets in Use, Gross

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Related Parties Report for 2019

ČEZ Distribuce, a. s., having its registered office at Děčín—Děčín IV-Podmokly, Teplická 874/8, 405 02, company registration number: 24729035, registered in the Commercial Register kept by the Regional Court in Ústí nad Labem, file ref. B 2145 (the “Preparer”), is, as a managed entity, part of the CEZ Concern, which is headed by ČEZ, a. s., as the managing entity and which additionally included the following managed entities in 2019: Areál Třeboradice, a.s.; ČEZ Bohunice a.s.; ČEZ Distribuce, a. s.; ČEZ Energetické produkty, s.r.o.; ČEZ Energetické služby, s.r.o.; ČEZ ENERGOSERVIS spol. s r.o.; ČEZ ESCO, a.s.; ČEZ ICT Services, a. s.; ČEZ Korporátní služby, s.r.o.; ČEZ Obnovitelné zdroje, s.r.o.; ČEZ Prodej, a.s.; ČEZ Teplárenská, a.s.; Elektrárna Dětmárovice, a.s.; Elektrárna Dukovany II, a. s.; Elektrárna Mělník III, a. s.; Elektrárna Počeradý, a.s.; Elektrárna Temelín II, a. s.; Energetické centrum s.r.o.; Energocentrum Vítkovice, a. s.; Energotrans, a.s.; MARTIA a.s.; PRODECO, a.s.; Revitrans, a.s.; Severočeské doly a.s.; SD - Kolejová doprava, a.s.; and Telco Pro Services, a. s.

ČEZ Distribuce, a. s., and ČEZ Energetické služby, s.r.o., are subjected to concern management in full compliance with all requirements of unbundling rules resulting from the Energy Act and Directive 2009/72/EC of the European Parliament and of the Council.

The CEZ Concern is part of a group of businesses controlled by the Czech Republic—Ministry of Finance. The Czech Republic—Ministry of Finance owns shares of stock corresponding to a 69.78% share in the stated capital of ČEZ, a. s.

This Related Parties Report (the “Report”) for 2019 (the “reporting period”) was prepared by the statutory governing body pursuant to Section 82 et seq. of Act No. 90/2012 Sb., on commercial companies and cooperatives (Business Corporations Act), as amended.

Managing Entity and Preparer of the Related Parties Report

Managing Entity

Company: ČEZ, a. s.

Registered office: Praha 4, Duhová 2/1444, postcode 140 53

Company reg. No.: 45274649

Registered in the Commercial Register kept by the Municipal Court in Prague, file ref. B 1581

Controlled Entity/Preparer

Company: ČEZ Distribuce, a. s.

Registered office: Děčín—Děčín IV-Podmokly, Teplická 874/8, postcode 405 02

Company reg. No.: 24729035

Registered in the Commercial Register kept by the Regional Court in Ústí nad Labem, file ref. B 2145

1. Structure of Relations between the Managing Entity and the Controlled Entity and between the Controlled Entity and Entities Controlled by the Same Managing Entity

A chart showing the ownership structure of all related parties in the period from January 1, 2019, to December 31, 2019, prepared by the Managing Entity, is included in Annex 1 to this Report and constitutes its integral part.

2. Role of the Managing Entity in the Group of Businesses

ČEZ Distribuce, a. s. (Controlled Entity), as a wholly owned subsidiary of ČEZ, a. s., performs, in particular, the licensed activity of a distribution system operator and other activities and services relating to the performance of the above-mentioned licensed activity. The Controlled Entity performs all its activities in accordance with business licenses granted to it within its line of business as defined in its bylaws and registered in the Commercial Register.

3. Manner and Means of Control

ČEZ, a. s., is the sole shareholder of ČEZ Distribuce, a. s., and holds a 100% share in voting rights. Because of this share in voting rights, ČEZ, a. s., may appoint and remove most members of the Controlled Entity's statutory governing body. Means of control within the CEZ Concern include approval of strategic programs, business strategies, business plans, and annual budgets. The concern management of ČEZ Distribuce, a. s., is applied in full compliance with all requirements of unbundling rules resulting from Act No. 458/2000 Sb., Energy Act, and Directive 2009/72/EC of the European Parliament and of the Council.

4. List of Acts Performed in the Last Accounting Period That Were Performed at the Instigation or in the Interest of the Managing Entity or Entities Controlled by the Managing Entity and Concerned Assets Exceeding 10% of the Equity of the Controlled Entity as Identified in Its Latest Financial Statements

No such acts were performed in the period concerned.

5. List of Mutual Contracts between the Controlled Entity and the Managing Entity or between Controlled Entities

This list includes an overview of mutual contracts between the Controlled Entity and the Managing Entity or between controlled entities that were in force in the period from January 1 to December 31, 2019. The companies and contracts are arranged without regard to the value of performance.

1. ČEZ, a. s.

- 6 personal data processing agreements
- Trademark licensing agreement
- Consensual declaration of an ancillary service provider and a distribution system operator to whose distribution system a facility of the provider of ancillary services to ČEPS, a.s., is connected—Mělník II Power Plant (EME3), dated March 16, 2018
- Consensual declaration of an ancillary service provider and a distribution system operator to whose distribution system a facility of the provider of ancillary services to ČEPS, a.s., is connected—Štěchovice II Pumped-Storage Power Plant (EST2), March 16, 2018
- Consensual declaration of an ancillary service provider and a distribution system operator to whose distribution system a facility of the provider of ancillary services to ČEPS, a.s., is connected—Prunéřov I Power Plant (EPRU I), March 16, 2018
- Consensual declaration of an ancillary service provider and a distribution system operator to whose distribution system a facility of the provider of ancillary services to ČEPS, a.s., is connected—Ledvice II & III Power Plant (ELE), March 16, 2018
- Consensual declaration of an ancillary service provider and a distribution system operator to whose distribution system a facility of the provider of ancillary services to ČEPS, a.s., is connected—Trmice Heating Plant (ETR), March 16, 2018
- Mutual credit facility agreement based on a multilevel flexible online real bilateral CZK cash pooling agreement for the economically linked group of January 28, 2016
- Mutual credit facility agreement based on a multilevel flexible online real bilateral EUR cash pooling agreement for the economically linked group of January 28, 2016
- 2 credit facility agreements, No. 2012/9, No. 2015/1
- 3 credit facility agreements (agreement subject: loan)
- 69 electricity supply contracts for electric mobility
- Contract for work—diagnostic measurements of cables
- 2 agreements for the settlement of costs of providing consulting services
- Distribution network repairs and maintenance
- Agreement for professional psychological testing
- Electricity and heat supplies, water/sewer fees

- Agreement for facility connection to the distribution system
- Electricity and heat supplies, water/sewer fees
- Lease of nonresidential premises
- Framework agreement for the provision of services at hydroelectric power plant substations
- Lease of nonresidential premises
- 5 service agreements
- 4 nonresidential lease agreements
- 3 lease agreements
- Ancillary service agreement for voltage and reactive power control of December 15, 2014
- Agreement on joint controllers' mutual rights and obligations
- Agreement for transfer of title to transformer substations of September 3, 2019
- 5 preliminary easement agreements and a building right agreement
- Heat supply agreement
- Relocation
- 3 contracts for charging station delivery
- Agreement for Orlík power plant connection to the distribution network
- Agreement for Trmice heating plant connection to the distribution network
- Želina small hydropower plant connection agreement
- Agreement for Vestec photovoltaic power plant connection to the distribution network
- Agreement for Ledvice power plant connection to the distribution network
- Agreement for Slapy power plant connection to the distribution network
- Agreement for Orlík power plant connection to the distribution network
- Agreement on concerted action in the award and performance of a public contract of November 29, 2018
- Agreement on concerted action in the award and performance of a public contract of August 26, 2019
- Agreement on concerted action in the award and performance of a public contract of August 29, 2017
- Agreement on concerted action in the award and performance of a public contract of November 14, 2019
- Agreement on concerted action in the award and performance of a public contract of September 20, 2019
- Agreement on concerted action in the award and performance of a public contract of October 14, 2019
- Agreement on concerted action in the award and performance of a public contract of June 5, 2019
- Agreement on concerted action in the award and performance of a public contract of August 6, 2019
- Agreement on concerted action in the award and performance of a public contract of June 20, 2017
- Agreement on concerted action in the award and performance of a public contract of May 13, 2015
- Agreement on concerted action in the award and performance of a public contract of September 22, 2016
- Agreement for the provision of information technology and telecommunications services from 2019
- Agreement for the provision of information technology and telecommunications services of June 18, 2019
- Agreement for the provision of information technology and telecommunications services of June 19, 2019
- Agreement for the provision of information technology and telecommunications services of April 15, 2019
- Agreement for the provision of information technology and telecommunications services of June 19, 2019
- 2 agreements for the provision of control service and balancing service for customer electricity supplies
- Substation operation
- 3 agreements for the operation, maintenance, and repairs of hydroelectric power plant switchgear
- 2 agreements for the provision of control service and balancing service for customer electricity supplies
- Agreement for the provision of information technology and telecommunications services from 2019
- Agreement for the provision of information technology and telecommunications services from 2018
- Agreement for the provision of information technology and telecommunications services of June 14, 2016
- Agreement for the provision of information technology and telecommunications services from 2019
- Agreement for the provision of information technology and telecommunications services from 2019
- Agreement for the provision of information technology and telecommunications services from 2017
- Agreement for the provision of information technology and telecommunications services of January 7, 2019
- Agreement for the provision of information technology and telecommunications services from 2017
- Agreement for the provision of information technology and telecommunications services of June 5, 2018
- Agreement for the provision of information technology and telecommunications services from 2016
- Agreement for the provision of information technology and telecommunications services from 2015
- Agreement for the provision of information technology and telecommunications services of June 29, 2018
- Agreement for the provision of information technology and telecommunications services from 2018
- Agreement for the provision of information technology and telecommunications services of July 11, 2018
- Agreement for the provision of information technology and telecommunications services of December 20, 2019

- Agreement for the provision of information technology and telecommunications services of June 28, 2019
 - Agreement for the provision of information technology and telecommunications services of June 28, 2019
 - Agreement for the provision of information technology and telecommunications services of September 26, 2016
 - Agreement for the provision of information technology and telecommunications services of February 28, 2019
 - Agreement for the provision of information technology and telecommunications services of July 30, 2018
 - Agreement for the provision of information technology and telecommunications services of August 14, 2018
 - Agreement for the provision of information technology and telecommunications services of July 4, 2019
 - Agreement for the provision of information technology and telecommunications services of August 20, 2019
 - Agreement for the provision of information technology and telecommunications services of October 12, 2018
 - Agreement for the provision of information technology and telecommunications services of July 3, 2018
 - Agreement on concerted action in the award and performance of a public contract of August 6, 2018
 - Agreement on contracting entities' concerted action in the award and performance of a public contract (Contracting Entities Agreement) for "Mail and Registered Mail Delivery"
 - Agreement on mailing conditions—business letters, contract with Česká pošta, s.p., as amended
 - Agreement on concerted action in the award of public contracts for "Deliveries of Midsize and Large Utility Vehicles, 4x4 Heavy Off-Road Vehicles, and Trucks," "Deliveries of Work Platforms," "Deliveries of Special Work Platforms for Live-Line Working," "Deliveries of Cable Test Vehicles," "Deliveries of Conversions Kits for Utility Vehicles," and "Deliveries of Light Utility Vehicles"
 - Agreement on concerted action in the award of a public contract for "Deliveries of Light and Off-Road Utility Vehicles"
 - Agreement on concerted action in the award of a public contract for "Deliveries of Cars for CEZ Group and Related Servicing and Maintenance Services"
 - Agreement on concerted action in the award of a public contract for "Vehicle Insurance"
 - Agreement on concerted action in the award and performance of a public contract (O2 Telemetry for CEZ Group 2019–2024)
 - Agreement on concerted action in the award and performance of a public contract (CEZ Group Telemetry)
 - Agreement on collaboration in the performance of a public contract (CEZ Group Corporate Mobile Telephony 2019–2024)
 - Separate service agreement
 - 4 agreements on concerted action in the award of a public contract
 - 18 agreements on concerted action in the performance of a public contract
 - 6 agreements on concerted action in the award and performance of a public contract
 - Agreement on concerted action in the award of a public contract for the Distribution BI segment
 - Agreement on concerted action in the performance of a public contract for the Distribution BI segment
 - 7 agreements on concerted action in the performance of a public contract
 - 1 agreement on concerted action in the award and performance of a public contract
 - Agreement on concerted action in the award and performance of a public contract for "Deliveries of Midsize and Large Utility Vehicles, Heavy Off-Road Vehicles, Cars, and Trucks"
 - Agreement on concerted action in the award and performance of a public contract for "Deliveries of Cars, Utility Vehicles, and Trucks"
 - Agreement on concerted action in the award and performance of a public contract for "Tire Delivery for CEZ Group"
 - Agreement on contracting entities' concerted action in the award and performance of public contracts (association agreement)—tire delivery for CEZ Group
 - Public contract
 - Agreement on collaboration in the performance of a public contract for "Delivery of Utility Vehicles"
 - Agreement on contracting entities' concerted action in the award and performance of a public contract for "Fuel Delivery for CEZ Group"
- 2. ČEZ Energetické služby, s.r.o.**
- Agreement for local distribution system connection to the HV distribution system—Horní Suchá
 - Agreement for 22 kV distribution system services—Horní Suchá
 - Agreement for local distribution system connection to the medium-voltage (MV)/high-voltage (HV) distribution system—Výstavní, as amended by Amendment 1
 - Framework agreement for lease of distribution transformers
 - Agreement for 110 kV (HV) distribution system services
 - Ostrava-Výškovice Lease Agreement, incl. Amendments 1–8
 - Service agreement
 - General service agreement
 - Service agreement for initial investigation of emergencies at ČEZ ES RES facilities
 - Contract for the manufacture of 4 drain valves
 - Contract for external fence delivery for Výškovice 110/10 kV transformer substation
 - Contract for Výškovice 110/10 kV transformer substation control room
 - Contract Nový Jičín AVA 13 Varroc
 - General terms and conditions for implementation services VOP REAL v08
 - Personal data processing agreement

3. ČEZ Energo, s.r.o.

- 150 agreements for facility connection to distribution system
- 60 agreements for distribution system services
- 18 agreements to make a future agreement for generating facility connection to distribution system
- Preliminary servitude agreement for Vrchlabí
- Agreement on structure siting and operation
- Access agreement
- 18 agreements to make a future agreement for generating facility connection to distribution system
- 9 agreements for distribution system services
- 11 preliminary agreements for generating facility connection to distribution system
- Preliminary agreement to relocate distribution equipment for electricity supply—Šumperk, Prievidzská
- Agreement to relocate distribution equipment for electricity supply—Šumperk, Prievidzská
- Lease agreement

4. ČEZ ESCO, a.s.

- Agreement for OSH, FP, and EP services
- Lease agreement, as amended
- Personal data processing agreement (for Master Agreement 32_2016_001)
- Personal data processing agreement
- Framework contract for distribution system services including distribution portal (DIP) operation rules

5. ČEZ ICT Services, a. s.

- General ICT services agreement
- 2 nonresidential lease agreements (as amended)
- General contract for work and services
- Personal data processing agreement
- Agreement for contract assignment
- 4 agreements for assignment of software, licenses, and contracts (purchase agreement)
- 13 preliminary agreements
- Order for ICT services for re invoicing CC hardware and software (Mittel gateways & SmartRecord) service support
- Personal data processing agreement

6. ČEZ Korporátní služby, s.r.o.

- General agreement for the provision and procurement of services and leases
- Separate agreement for accounting services made under the GA, as amended, of December 19, 2012
- Separate agreement for personnel services made under the GA
- Separate agreement for print and reprographic services made under the GA, as amended
- Separate agreement for document filing and destruction services made under the GA, as amended
- Separate agreement for correspondence processing services made under the GA, as amended
- Separate agreement for PD1 vehicle lease and services, as amended
- Separate agreement for PD3 vehicle lease (car rental), as amended
- Separate agreement for PD4 vehicle services, as amended
- Separate agreement for property management and other services made under the GA, as amended
- Agreement for the procurement of work and services for electrical inspections, as amended
- Agreement for OSH, FP, and EP services, as amended
- 159 agreements for facility connection to distribution system
- 162 preliminary servitude/easement agreements
- 4 sales contracts for land and other assets
- Site use and operation agreement
- 2 agreements for storm water discharge
- Separate agreement under the General Agreement for the provision and procurement of services and leases—Lease Agreement (PN2)
- Lease agreement for use of premises (revenue)
- Agreement for sewage discharge to wastewater treatment plant
- Agreement for sublease of office premises (Alpha)
- Sublease agreement (Karlovy Vary garage premises)
- Agreement for sublease of business premises and for business lease of movables (Jablonec)
- Agreement for back-charge of actual costs of consumed and discharged water
- Agreement for back-charge of actual costs of consumed and discharged water
- Contracting entities association agreement

- Agreement for district heating substation on Dvůr Králové nad Labem site
- Water service agreement—Pardubice
- Water service agreement—Špindlerův Mlýn
- Water service agreement—Dobruška
- Water service agreement—Hořice
- Agreement on back-charge of actual costs of rainwater discharges
- Agreement for potable water treatment and wastewater discharge
- General agreement on the assignment of claims within CEZ group for set-off purposes
- Parking space sublease agreement (Teplice)
- Sublease agreement for leased premises (Hudlice)
- Sublease agreement for leased premises (Jilemnice)
- Sublease agreement (Olomouc)
- Separate agreement for TOC services
- Sales contract for purchase of land in Všešary
- Short-term lease agreement
- Vehicle transfer agreement—capitalization phase 1
- Personal data processing agreement
- Vehicle transfer agreement—capitalization phase 2
- Real property purchase agreement—Tuhnice
- Real property purchase agreement—Havlíčkův Brod
- Real property purchase agreement—Zábřeh nad Odrou
- Transformer substation purchase agreement OS_7877
- Switchgear purchase agreement OS_7877
- Real property purchase agreement—Opočíněk
- Purchase agreement, vehicle equipment and accessories—capitalization phase 2
- Real property purchase agreement (“Proluka”)
- Movable property purchase agreement (“Proluka”)
- Movable property purchase agreement (“Roudnice nad Labem”)
- Personal data processing agreement

7. ČEZ Obnovitelné zdroje, s.r.o.

- Agreements for facility connection to distribution system
- Electricity distribution agreements
- Agreement for back-charge of costs associated with waste water treatment

8. ČEZ OZ uzavřený investiční fond a.s.

- Servitude agreement—Přelouč (wastewater treatment plant)
- Lease agreement, switchgear and UPS siting—Noviny pod Ralskem
- Lease agreement—Nekoř, Pastviny SHP Operation
- Lease agreement—Noviny transformer substation
- Lease agreement—Hradec Králové, Křižíkova (house No. 788, land parcel No. 622/2)
- Servitude agreement—Vydra, Čeňkova Pila
- Agreement for structure siting and operation—Nekoř, Pastviny SHP
- Agreement for equipment siting and operation at the Pastviny SOE site
- Servitude agreement—Spálov SHP
- Preliminary servitude agreement—Kladno-Dříň MV
- Servitude agreement—Srní

9. ČEZ Prodej, a.s.

- General agreement for distribution system services
- Agreement for OSH, FP, and EP services
- Agreement for generation connection to medium-voltage distribution system
- Supply contract for electricity for internal consumption, as amended by its Amendment of December 8, 2016, and Amendment 2 of December 21, 2017
- Supply contract for electricity to cover distribution system losses
- Personal data processing agreement

10. ČEZ Teplárenská, a.s.

- Nonresidential lease agreement
- Electricity service point connection agreements with ČEZ Teplárenská, a.s.
- Preliminary servitude agreement and structure siting agreement, No. IE-12-2007569, project name: Trutnov abandonment TS_TU0023
- Preliminary servitude agreement and structure siting agreement No. IV-12-4016976/VB/P004
- Preliminary servitude agreement and structure siting agreement No. IV-12-2017240/SOBS VB/5, project name: Trutnov LVc for parcel No. 3234, SERVICE TRADING
- Servitude agreement

11. Elektrárna Dětmorovice, a.s.

- Ancillary service agreement for voltage and reactive power control
- Electricity distribution agreement
- Agreement for electricity generation facility equipment connection to distribution system, as amended by amendment 2
- Agreement for electricity consumer connection to MV/HV distribution system

12. Elektrárna Počeradý, a.s.

- Agreement for generation connection to medium-voltage distribution system

13. Elektrárna Tisová, a.s.

- Agreement for electricity generation facility connection to MV and HV distribution system
- Medium voltage (MV)/high voltage (HV) distribution agreement
- Agreement for electricity generation facility connection to distribution system

14. ČEZ Energetické produkty, s.r.o.

- Distribution system connection agreement

15. Energotrans, a.s.

- Ancillary service agreement for voltage and reactive power control
- MV/LV electricity distribution agreement (Horní Počaply)
- 110 kV substation services agreement
- Lease agreement for residential and nonresidential premises at MPP, amendment 1, including amendment (790003_2016 building No. 31/72)
- Agreement for generating facility connection to MV/HV distribution system
- Consensual declaration for ČEPS, a.s.

16. EVČ s.r.o.

- Service point connection agreement—Rychnov office
- Service point connection agreement—Zavadilka
- Connection agreement—Ropkova boiler plant, Litomyšl
- Connection agreement—Mnichovo Hradiště

17. PRODECO, a.s.

- Servitude agreement—LV underground cable

18. Severočeské doly a.s.

- EE distribution and system services
- Electricity distribution agreement
- Purchase agreement—Fláje electricity consumption (Střelná tel. tower)
- Connection to distribution system VN-DNT-16_VVN_1007399667
- Agreement for connection of SP with electricity generation to HV DS—Nástup Tušimice Mines
- Agreement for RES connection to MV/HV DS—Bílina Mine
- Agreement for DS location connection to MV/HV DS—Nástup Tušimice Mines
- Agreement for HV DS easement—Nástup Tušimice Mines
- Agreement for HV DS easement—Nástup Tušimice Mines
- Agreement for HV DS easement—Nástup Tušimice Mines
- Agreement for HV DS easement—Bílina Mine
- Agreement for HV DS easement—Bílina Mine
- Agreement for HV DS easement—Bílina Mine
- Connection of electrical equipment at Bílina Mine to HV distribution system
- Lease agreement—Bílina Mine building administration transformer substation
- Preliminary easement agreement
- Easement agreement
- Preliminary servitude agreement, Pruněřov
- Servitude agreement—ČEZ, a. s.—ENERGO - PRO, Chomutov

19. Telco Pro Services, a. s.

- Personal data processing agreement

20. Tepelné hospodářství města Ústí nad Labem s.r.o.

- Nonresidential lease agreement (transformer substation)
- Utility tunnel and corridor sublease agreement

21. Teplo Klášterec s.r.o.

- Agreement to share provable costs of storm water discharge
- Agreement for electricity consumer connection to low-voltage distribution system
- Servitude/easement agreement

22. ÚJV Řež, a.s.

- Distribution system service agreement
- Agreement for local distribution system connection

23. Centrum výzkumu Řež s.r.o.

- Agreement for facility connection to distribution system—Plzeň

24. OKD, a.s.

- Land lease agreement—parcel No. 1817 under a 110 kV substation in the cadastral district of Karviná-Doly
- Cable bridge joint use agreement at ČSA, Jan-Karel
- Servitude agreement for land—parcel No. 130/5 in the cadastral district of Stonava—LV service line
- Servitude agreement—parcel No. 1278/2, cadastral district of Staré Město u Karviné
- Servitude agreement for land—parcel No. 130/3 in the cadastral district of Stonava
- Servitude agreement—110 kV TR switchgear, cadastral district of Doubrava
- Supply contract—potable water, wastewater—110/22 kV substation at Paskov
- Supply contract—wastewater—220 kV substation at Lískovec
- Servitude agreement—110 kV HV line
- Agreement for joint use of 22/6 kV substation in Trojanovice
- Servitude agreement—distribution system equipment operation
- Land lease agreement—parcel No. 2734/34 in the cadastral district of Stonava
- Servitude agreement—underground cable in the cadastral district of Dolní Těrlícko
- Purchase order—inspection of power switchgear at Frenštát substation
- Servitude agreement—distribution system equipment siting
- Servitude agreement in the cadastral district of Tichá na Moravě, Turková
- Servitude agreement—Ostrava, Lihovarská, Ordoriko SE, DTS
- Servitude agreement—MV line No. 39 relocation, Karviná, Louky
- Agreement for compensation for restricted use of land—Doubrava—provisional 110 kV interconnection

- Preliminary servitude agreement in the cadastral district of Staré Město u Karviné
- Servitude agreement—Trojanovice MV, cross-section increase
- Preliminary servitude and building right agreement in the cadastral district of Frenštát pod Radhoštěm
- Preliminary servitude and building right agreement in the cadastral district of Karviná-město
- Preliminary servitude agreement and structure siting agreement in the cadastral district of Doubrava u Orlové
- Servitude agreement—Doubrava, new 110 kV line
- Wastewater discharge contract—Paskov

25. MARTIA a.s.

- General Terms and Conditions VOP PD v08
- General Terms and Conditions VOP REAL v08
- Energy sector design work
- 2015_HZS_PD_ZÁPAD
- 2015_HZSII_SEVER
- 2015_HZS_PD_SEVER
- 2015_HZSII_ZÁPAD
- MARTIA, PD II—MV/LV structures, SDR. GA
- Agreement for photovoltaic generating facility connection to distribution system
- Personal data processing agreement

6. Loss Incurred by the Controlled Entity and Its Settlement

In the reporting period, ČEZ Distribuce, a. s., did not incur any loss arising out of contracts with related parties, other legal acts performed in the interest of related parties, or measures taken in the interest or at the instigation of related parties that were made or adopted prior to the last accounting period.

7. Other Information

7.1. Confidentiality of Information

Confidentiality applies to information and facts that are trade secrets of the Managing Entity and its related parties, as well as information identified as confidential by those entities or arising from their business relations whose partial disclosure or disclosure in connection with other information or facts could be detrimental to those entities or their contractual partners, as well as information whose confidentiality and protection is directly required by law.

7.2. Glossary of Abbreviations Used in the Report

DTS	Distribution transformer substation
EE	Electrical energy
EP	Environmental protection
FP	Fire protection
GA	General agreement
HV	High voltage
ICT	Information and communications technologies
LV	Low voltage
LVc	Low-voltage cable
MPP	Mělník Power Plant
MV	Medium voltage
OSH	Occupational safety and health
PD	Project documentation
RES	Renewable energy sources
SHP	Small hydropower plant
SOE	State-owned enterprise
SP	Service point
TR	Transformer
TS	Transformer substation

Prague, March 3, 2020



Ing. Martin Zmelík, MBA
Chairman of the Board of Directors



Ing. Martin Molinger
Member of the Board of Directors

8. Conclusion

The Board of Directors of ČEZ Distribuce, a. s., did not encounter disadvantages resulting from relations between the Managing Entity and the Controlled Entity or related parties.

The Board of Directors is not aware of any risks arising from relations between the Controlled Entity and the Controlling Entity and between the Controlled Entity and entities controlled by the same Controlling Entity.

ČEZ Distribuce, a. s., leverages synergies within CEZ Group and CEZ Group's expertise to efficiently perform its licensed activity and the related ancillary services. It also takes advantage of participation in CEZ Group's risk management system and system of internal controls, insurance program, and safety and quality management system.

The Board of Directors of ČEZ Distribuce, a. s., did not encounter adversities arising out of relations between the Controlled Entity and related parties.

This Related Parties Report was prepared with due care, with commitment to providing objective information gathered for the specified purpose of this Report.

The Report was submitted to the Supervisory Board of ČEZ Distribuce, a. s., for review pursuant to Article 12(8)(d) of the Company's bylaws as well as in compliance with Section 83 of the Business Corporations Act.

The Board of Directors of ČEZ Distribuce, a. s., approved this Related Parties Report on March 3, 2020.

The auditor's opinion on the Report is included in the auditor's report on the ČEZ Distribuce, a. s., 2019 Annual Report.

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(Translation of a report originally issued in Czech – see Note 2 to the financial statements.)

Independent Auditor's Report

To the Shareholder of ČEZ Distribuce, a. s.:

Opinion

We have audited the accompanying financial statements of ČEZ Distribuce, a. s. (the Company) prepared in accordance with accounting principles generally accepted in the Czech Republic, which comprise the balance sheet as at 31 December 2019, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Company, see Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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working world**

Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Company's Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the Czech Republic and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young Audit, s.r.o.
License No. 401

Luděk Jireček, Auditor
License No. 2164

8 April 2020
Prague, Czech Republic

ČEZ Distribuce, a. s.

Balance Sheet as at December 31, 2019

(in thousands of CZK)

Ident.	ASSETS	Current year			Prior year
		Gross	Adjustments	Net	Net
	TOTAL ASSETS	304,364,382	(157,915,813)	146,448,569	143,663,970
A.	Stock subscription receivable			0	0
B.	Fixed assets	286,012,464	(156,975,733)	129,036,731	125,583,328
B. I.	Intangible fixed assets	1,658,198	(1,013,059)	645,139	570,414
B. I. 1.	Research and development				
B. I. 2.	Valuable rights	1,348,966	(878,131)	470,835	463,013
B. I. 2. 1.	Software	1,307,556	(836,723)	470,833	462,554
B. I. 2. 2.	Other valuable rights	41,410	(41,408)	2	459
B. I. 3.	Goodwill				
B. I. 4.	Other intangible fixed assets	239,587	(134,928)	104,659	82,787
B. I. 5.	Advances granted for intangible fixed assets and intangible fixed assets in progress	69,645	0	69,645	24,614
B. I. 5. 1.	Advances granted for intangible fixed assets				
B. I. 5. 2.	Intangible fixed assets in progress	69,645		69,645	24,614
B. II.	Tangible fixed assets	284,354,266	(155,962,674)	128,391,592	125,012,914
B. II. 1.	Land and structures	211,131,878	(113,085,865)	98,046,013	95,172,883
B. II. 1. 1.	Land	947,385		947,385	924,079
B. II. 1. 2.	Structures	210,184,493	(113,085,865)	97,098,628	94,248,804
B. II. 2.	Movable assets and sets of movable assets	70,612,244	(42,861,350)	27,750,894	27,266,642
B. II. 3.	Gain or loss on revaluation of acquired property				
B. II. 4.	Other tangible fixed assets	32,842	(15,459)	17,383	15,933
B. II. 4. 1.	Perennial crops				
B. II. 4. 2.	Livestock				
B. II. 4. 3.	Miscellaneous tangible fixed assets	32,842	(15,459)	17,383	15,933
B. II. 5.	Advances granted for tangible fixed assets and tangible fixed assets in progress	2,577,302	0	2,577,302	2,557,456
B. II. 5. 1.	Advances granted for tangible fixed assets	150,260		150,260	138,216
B. II. 5. 2.	Tangible fixed assets in progress	2,427,042		2,427,042	2,419,240
B. III.	Long-term investments	0	0	0	0
B. III. 1.	Interests – controlled or controlling entity				
B. III. 2.	Loans and borrowings – controlled or controlling entity				
B. III. 3.	Interests – associates				
B. III. 4.	Loans and borrowings to associates				
B. III. 5.	Other long-term securities and interests				
B. III. 6.	Loans and borrowings – other				
B. III. 7.	Other long-term investments	0	0	0	0
B. III. 7. 1.	Miscellaneous long-term investments				
B. III. 7. 2.	Advances granted for long-term investments				

(in thousands of CZK)

Ident.	ASSETS	Current year			Prior year
		Gross	Adjustments	Net	Net
C.	Current assets	18,332,759	(940,080)	17,392,679	18,061,534
C. I.	Inventories	282,290	(71)	282,219	315,994
C. I. 1.	Materials	257,517	(71)	257,446	243,316
C. I. 2.	Work in progress and semi-finished production	24,773		24,773	72,678
C. I. 3.	Finished products and goods	0	0	0	0
C. I. 3. 1.	Finished products				
C. I. 3. 2.	Goods				
C. I. 4.	Livestock				
C. I. 5.	Advances granted for inventories				
C. II.	Receivables	18,050,465	(940,009)	17,110,456	17,745,540
C. II. 1.	Long-term receivables	13,132	(889)	12,243	12,748
C. II. 1. 1.	Trade receivables	8,000	(8)	7,992	8,991
C. II. 1. 2.	Receivables – controlled or controlling entity				
C. II. 1. 3.	Receivables – associates				
C. II. 1. 4.	Deferred tax asset				
C. II. 1. 5.	Other receivables	5,132	(881)	4,251	3,757
C. II. 1. 5. 1.	Receivables from partners				
C. II. 1. 5. 2.	Long-term advances granted				
C. II. 1. 5. 3.	Unbilled revenue				
C. II. 1. 5. 4.	Miscellaneous receivables	5,132	(881)	4,251	3,757
C. II. 2.	Short-term receivables	18,037,333	(939,120)	17,098,213	17,732,792
C. II. 2. 1.	Trade receivables	2,278,666	(935,758)	1,342,908	1,098,446
C. II. 2. 2.	Receivables – controlled or controlling entity	4,160,733		4,160,733	5,567,616
C. II. 2. 3.	Receivables – associates				
C. II. 2. 4.	Other receivables	11,597,934	(3,362)	11,594,572	11,066,730
C. II. 2. 4. 1.	Receivables from partners				
C. II. 2. 4. 2.	Social security and health insurance				
C. II. 2. 4. 3.	Due from government – tax receivables	16,443		16,443	
C. II. 2. 4. 4.	Short-term advances granted	199,786		199,786	543,582
C. II. 2. 4. 5.	Unbilled revenue	11,368,815	(243)	11,368,572	10,511,847
C. II. 2. 4. 6.	Miscellaneous receivables	12,890	(3,119)	9,771	11,301
C. III.	Short-term financial assets	0	0	0	0
C. III. 1.	Interests – controlled or controlling entity				
C. III. 2.	Other short-term financial assets				
C. IV.	Cash	4	0	4	0
C. IV. 1.	Cash in hand	4		4	
C. IV. 2.	Cash at bank				
D.	Prepaid expenses and accrued income	19,159	0	19,159	19,108
D. 1.	Prepaid expenses	13,048		13,048	12,657
D. 2.	Prepaid expenses (specific-purpose expenses)				
D. 3.	Accrued income	6,111		6,111	6,451

(in thousands of CZK)

Ident.	EQUITY & LIABILITIES	Current year	Prior year
	TOTAL EQUITY & LIABILITIES	146,448,569	143,663,970
A.	Equity	86,961,708	85,446,560
A. I.	Stated capital	60,000,000	60,000,000
A. I. 1.	Stated capital	60,000,000	60,000,000
A. I. 2.	Own ownership interests (-)		
A. I. 3.	Changes in stated capital		
A. II.	Share premium and capital reserves	(3,184)	5,676,802
A. II. 1.	Share premium		
A. II. 2.	Capital reserves	(3,184)	5,676,802
A. II. 2. 1.	Other capital reserves	1,313	1,313
A. II. 2. 2.	Gains or losses on revaluation of assets and liabilities (+/-)		
A. II. 2. 3.	Gains or losses on revaluation upon corporate transformation (+/-)		
A. II. 2. 4.	Differences arising on corporate transformation (+/-)	(4,497)	5,675,489
A. II. 2. 5.	Differences arising between balance sheet date and transformation date (+/-)		
A. III.	Reserves from profit	12,000,000	12,000,000
A. III. 1.	Other reserves	12,000,000	12,000,000
A. III. 2.	Statutory and other reserves		
A. IV.	Profit (loss) for previous years (+/-)	7,668,621	101,137
A. IV. 1.	Retained earnings	7,668,621	101,137
A. IV. 2.	Other profit (loss) for previous years (+/-)		
A. V.	Profit (loss) for the year (+/-)	7,296,271	7,668,621
A. VI.	Approved decision on advances for profit distribution (-)		
B. + C.	Provisions and liabilities	51,214,640	50,274,464
B.	Provisions	1,401,427	1,303,409
B. 1.	Provision for pensions and similar obligations		
B. 2.	Provision for corporate income tax		15,891
B. 3.	Provisions recognized under special legislation		
B. 4.	Other provisions	1,401,427	1,287,518

(in thousands of CZK)

Ident.	EQUITY & LIABILITIES			Current year	Prior year
C.			Liabilities	49,813,213	48,971,055
C. I.			Long-term liabilities	31,217,228	31,641,329
C. I. 1.			Bonds payable		
C. I. 1. 1.			Convertible bonds		
C. I. 1. 2.			Other bonds		
C. I. 2.			Liabilities to credit institutions		
C. I. 3.			Long-term advances received		
C. I. 4.			Trade payables		
C. I. 5.			Long-term notes payable		
C. I. 6.			Liabilities – controlled or controlling entity	19,660,000	20,220,000
C. I. 7.			Liabilities – associates		
C. I. 8.			Deferred tax liability	11,557,228	11,421,329
C. I. 9.			Other liabilities		
C. I. 9. 1.			Liabilities to partners		
C. I. 9. 2.			Unbilled deliveries		
C. I. 9. 3.			Miscellaneous liabilities		
C. II.			Short-term liabilities	18,595,985	17,329,726
C. II. 1.			Bonds payable		
C. II. 1. 1.			Convertible bonds		
C. II. 1. 2.			Other bonds		
C. II. 2.			Liabilities to credit institutions		
C. II. 3.			Short-term advances received	12,018,562	10,956,171
C. II. 4.			Trade payables	3,044,129	2,533,760
C. II. 5.			Short-term notes payable		
C. II. 6.			Liabilities – controlled or controlling entity	560,000	560,000
C. II. 7.			Liabilities – associates		
C. II. 8.			Other liabilities	2,973,294	3,279,795
C. II. 8. 1.			Liabilities to partners		
C. II. 8. 2.			Short-term borrowings		
C. II. 8. 3.			Liabilities to employees	182,777	160,879
C. II. 8. 4.			Liabilities arising from social security and health insurance	99,322	91,611
C. II. 8. 5.			Due to government – taxes and subsidies	502,646	400,474
C. II. 8. 6.			Unbilled deliveries	2,167,494	2,607,532
C. II. 8. 7.			Miscellaneous liabilities	21,055	19,299
D.			Accruals and deferred income	8,272,221	7,942,946
D. 1.			Accruals	73,192	77,797
D. 2.			Deferred income	8,199,029	7,865,149

ČEZ Distribuce, a. s. Statement of Income for the Year Ended December 31, 2019

(in thousands of CZK)

Ident.	TEXT	Accounting period	
		current	prior
I.	Revenues from sale of finished products and services	48,401,084	47,224,106
II.	Revenues from sale of goods		
A.	Production-related consumption	28,587,536	27,713,425
A. 1.	Costs of goods sold		
A. 2.	Consumption of material and energy	2,899,981	2,361,710
A. 3.	Services	25,687,555	25,351,715
B.	Change in inventory produced internally (+/-)	47,904	(12,351)
C.	Own work capitalized (-)	(921,751)	(879,719)
D.	Personnel expenses	4,177,705	3,829,129
D. 1.	Wages and salaries	2,879,688	2,640,590
D. 2.	Social security and health insurance costs and other costs	1,298,017	1,188,539
D. 2. 1.	Social security and health insurance costs	984,819	909,731
D. 2. 2.	Other costs	313,198	278,808
E.	Value adjustments in respect of operating activities	7,678,379	7,517,735
E. 1.	Value adjustments in respect of intangible and tangible fixed assets	7,690,481	7,334,055
E. 1. 1.	Value adjustments in respect of intangible and tangible fixed assets – permanent	7,690,481	7,334,055
E. 1. 2.	Value adjustments in respect of intangible and tangible fixed assets – temporary		
E. 2.	Value adjustments in respect of inventories		(588)
E. 3.	Value adjustments in respect of receivables	(12,102)	184,268
III.	Other operating income	1,194,934	1,158,767
III. 1.	Income from sale of fixed assets	34,234	23,300
III. 2.	Income from sale of materials	107,424	106,623
III. 3.	Miscellaneous operating income	1,053,276	1,028,844
F.	Other operating expenses	478,064	543,954
F. 1.	Net book value of fixed assets sold	17,375	7,965
F. 2.	Net book value of materials sold	74,180	69,883
F. 3.	Taxes and charges relating to operations	22,556	21,736
F. 4.	Provisions relating to operations and prepaid expenses (specific-purpose expenses)	113,908	163,668
F. 5.	Miscellaneous operating expenses	250,045	280,702
*	Profit or loss on operating activities (+/-)	9,548,181	9,670,700

(in thousands of CZK)

Ident.	TEXT	Accounting period	
		current	prior
IV.			
IV.	Income from long-term investments – interests		
IV.	1. Income from interests – controlled or controlling entity		
IV.	2. Other income from interests		
G.	Costs of interests sold		
V.	Income from other long-term investments		
V.	1. Income from other long-term investments – controlled or controlling entity		
V.	2. Other income from other long-term investments		
H.	Expenses relating to other long-term investments		
VI.	Interest receivable and similar income	97,293	68,543
VI.	1. Interest receivable and similar income – controlled or controlling entity	97,293	68,543
VI.	2. Other interest receivable and similar income		
I.	Value adjustments and provisions relating to financial activities		
J.	Interest payable and similar expenses	606,501	223,741
J.	1. Interest payable and similar expenses – controlled or controlling entity	606,501	223,741
J.	2. Other interest payable and similar expenses		
VII.	Other financial income	347,376	126,297
K.	Other financial expenses	348,264	143,494
*	Profit or loss on financial activities (+/-)	(510,096)	(172,395)
**	Profit or loss before income tax (+/-)	9,038,085	9,498,305
L.	Income tax	1,741,814	1,829,684
L.	1. Income tax due	1,641,245	1,733,864
L.	2. Income tax deferred (+/-)	100,569	95,820
**	Profit or loss after income tax (+/-)	7,296,271	7,668,621
M.	Transfer of share of profit or loss to partners (+/-)		
***	Profit or loss for the year (+/-)	7,296,271	7,668,621
*	Net turnover = I. + II. + III. + IV. + V. + VI. + VII.	50,040,687	48,577,713

ČEZ Distribuce, a. s.

Cash Flows Statement

for the Year Ended December 31, 2019

(in thousands of CZK)

Ident.	TEXT	Accounting period	
		current	prior
P.	Cash and cash equivalents at beginning of year	0	1
	Cash flows from operating activities		
Z.	Profit or loss before income tax (+/-)	9,038,085	9,498,305
A.1.	Adjustments to reconcile profit or loss to net cash provided by or used in operating activities	8,660,677	8,073,987
A.1.1.	Depreciation and amortization of fixed assets and write-off of receivables	7,731,214	7,361,481
A.1.2.	Change in allowances, provisions and accruals and deferrals	435,166	571,096
A.1.2.1.	Change in allowances	(12,102)	183,680
A.1.2.2.	Change in provisions	113,908	163,668
A.1.2.3.	Change in accruals and deferrals	333,360	223,748
A.1.3.	Gain/loss on disposal of fixed assets, own ownership interests	(16,859)	(15,335)
A.1.4.	Interest expense and interest income	509,208	155,198
A.1.5.	Other non-cash movements	1,948	1,547
A.1.6.	Income from profit shares		
A.2.	Change in non-cash components of working capital	180,143	713,445
A.2.1.	Change in operating receivables	(787,786)	106,861
A.2.2.	Change in short-term operating liabilities	934,153	606,195
A.2.3.	Change in inventories	33,776	389
A.3.	Interest paid, net of capitalized interest	(611,074)	(233,274)
A.4.	Interest received	97,633	62,092
A.5.	Income tax paid, incl. tax assessments for previous years	(1,673,579)	(1,490,367)
A.6.	Profit shares received		
A.	Net cash provided by (used in) operating activities	15,691,885	16,624,188
	Cash flows from financing activities		
B.1.	Purchase of fixed assets	(10,569,439)	(10,343,208)
B.2.	Proceeds from sale of fixed assets	37,801	23,301
B.	Net cash provided by (used in) investing activities	(10,531,638)	(10,319,907)
	Cash flows from financing activities		
C.1.	Change in long-term liabilities and short-term loans	(790,500)	13,866,500
C.2.	Change in receivables/payables from group cash pooling	1,406,883	5,428,503
C.3.	Effect of changes in equity on cash	(5,776,626)	(25,599,285)
C.	Net cash provided by (used in) financing activities	(5,160,243)	(6,304,282)
F.	Net increase (decrease) in cash and cash equivalents	4	(1)
R.	Cash and cash equivalents at end of year	4	0

ČEZ Distribuce, a. s.

Statement of Changes in Equity,

December 31, 2019

(in thousands of CZK)

	Stated capital	Other capital reserves	Reserves from profit	Accumulated profit or loss	Total
Closing balance at December 31, 2017	60,000,000	1,313	12,000,000	25,599,286	97,600,599
Transformations at January 1, 2018		5,675,489		101,137	5,776,626
Profit or loss for the year 2018				7,668,621	7,668,621
Profit share				(25,599,286)	(25,599,286)
Closing balance at December 31, 2018	60,000,000	5,676,802	12,000,000	7,769,758	85,446,560
Transformations at January 1, 2019		(4,497)			(4,497)
Profit or loss for the year 2019				7,296,271	7,296,271
Profit share		(5,675,489)		(101,137)	(5,776,626)
Closing balance at December 31, 2019	60,000,000	(3,184)	12,000,000	14,964,892	86,961,708

ČEZ Distribuce, a. s.

Notes to the Financial Statements

for the Year Ended 31 December 2019

(Translation of Financial Statements Originally Issued in Czech – See Note 2 to the Financial Statements)

1. Description of the Company

ČEZ Distribuce, a. s., (“the Company”) was founded, based on a merger by consolidation, as a successor company of the dissolving companies ČEZ Distribuční zařízení, a.s., and ČEZ Distribuce, a. s., with a effective merger date being 1 January 2010. As a result of the merger by consolidation, the business assets, including employment related rights and obligations, of the dissolving companies were transferred to the successor company.

The Company’s registered office is located at Děčín IV-Podmokly, Teplická 874/8, post code: 405 02, Czech Republic, and the business registration number (IČ) is 24729035. The Company is involved in the operation of the power grid and in the distribution of electricity to individuals and legal entities.

The sole shareholder is ČEZ, a. s., Duhová 2/1444, post code: 140 53, Prague 4, business registration number (IČ): 45274649.

The Company is included in the ČEZ Group and in the consolidated group of the parent company ČEZ, a. s.

Members of the statutory bodies as at 31 December 2019 were as follows:

Board of Directors	
Chair:	Martin Zmelík
Vice-chair:	Radim Černý
Member:	Michaela Kociánová
Member:	Pavel Šolc

Supervisory Board	
Chair:	Tomáš Pleskač
Vice-chair:	Michaela Chaloupková
Member:	Vladimír Říha
Member:	Karel Čech
Member:	Václav Rašner
Member:	Jan Brožík

On 10 January 2019, subject to the decision of the sole shareholder executing the powers of the general meeting of ČEZ Distribuce, a. s., the Board of Directors of ČEZ, a. s., elected Michaela Kociánová member of the Board of Directors of ČEZ Distribuce, a. s., with effect as of 1 February 2019.

On 8 February 2019, the Board of Directors of ČEZ Distribuce, a. s., elected Radim Černý Vice-chair of the Board of Directors of ČEZ Distribuce, a. s., with effect as of 8 February 2019.

On 11 April 2019, ČEZ Distribuce, a. s.’s Board of Directors discussed notification on resignation of Jiří Kudrnáč and approved termination of his membership in the Board of Directors at his own request as of 30 April 2019.

On 4 June 2019, ČEZ Distribuce, a. s.’s Board of Directors discussed notification on resignation of Tomáš Murtinger and approved termination of his membership in the Board of Directors at his own request as of 30 June 2019.

On 27 June 2019, ČEZ Distribuce, a. s.’s Board of Directors discussed notification on resignation of Karel Kohout and approved termination of his membership in the Board of Directors at his own request as of 30 June 2019.

On 9 December 2019, subject to the decision of the sole shareholder executing the powers of the general meeting of ČEZ Distribuce, a. s., the Board of Directors of ČEZ, a. s., elected Martin Molinger member of the Board of Directors of ČEZ Distribuce, a. s., with effect as of 1 January 2020.

A decrease in the number of the Board of Directors members from 7 to 5 was recorded in the Commercial Register on 11 July 2019.

These facts correspond to the entry in the Commercial Register as at 31 December 2019.

The Company’s organizational structure is as follows:

- CEO Office,
- Finance & Administration Division,
- Distribution Assets Management Division,
- Network Services Division,
- Grid Operations and Management Division.

Description of the transformations:

In accordance with the project of demerger through spin-off by acquisition prepared on 16 October 2018 between the companies involved, namely ČEZ Korporátní služby, s.r.o., as one party (the Demerging Company) and ČEZ Distribuce, a. s., as the other party as the Successor Company a part of assets of ČEZ Korporátní služby, s.r.o. determined in the Project was transferred to ČEZ Distribuce, a. s. whilst the Demerging Company did not cease to exist.

The transformation was recorded in the Commercial Register maintained by the Regional Court in Ústí nad Labem as of 1 January 2019. The effective date of the transformation was set at 1 January 2019.

The Opening Balance Sheet was prepared as shown below (in net amounts, in CZK thousands):

Caption	Assets	Balance sheet as at 31/12/2018 ČEZ Distribuce, a. s.	Spin-off of ČEZ Korporátní služby, s.r.o.	Opening balance sheet of ČEZ Distribuce, a. s. as at 01/01/2019
	Total assets	143,663,970	261,430	143,925,400
B.	Fixed assets	125,583,328	261,430	125,844,758
B. I.	Intangible Fixed Assets	570,414	-	570,414
B. I. 2.	Valuable rights	463,013	-	463,013
B. I. 2. 1.	Software	462,554	-	462,554
B. I. 2. 2.	Other valuable rights	459	-	459
B. I. 4.	Other intangible fixed assets	82,787	-	82,787
B. I. 5.	Advances granted for intangible fixed assets and intangible fixed assets in progress	24,614	-	24,614
B. I. 5. 2.	Intangible fixed assets in progress	24,614	-	24,614
B. II.	Tangible Fixed Assets	125,012,914	261,430	125,274,344
B. II. 1.	Land and structures	95,172,883	-	95,172,883
B. II. 1. 1.	Land	924,079	-	924,079
B. II. 1. 2.	Structures	94,248,804	-	94,248,804
B. II. 2.	Movable assets and sets of movable assets	27,266,642	261,430	27,528,072
B. II. 4.	Other tangible fixed assets	15,933	-	15,933
B. II. 4. 3.	Miscellaneous tangible fixed assets	15,993	-	15,993
B. II. 5.	Advances granted for tangible fixed assets and tangible fixed assets in progress	2,557,456	-	2,557,456
B. II. 5. 1.	Advances granted for tangible fixed assets	138,216	-	138,216
B. II. 5. 2.	Tangible fixed assets in progress	2,419,240	-	2,419,240
C.	Current assets	18,061,534	-	18,061,534
C. I.	Inventory	315,994	-	315,994
C. I. 1.	Materials	243,316	-	243,316
C. I. 2.	Work in progress and semi-finished production	72,678	-	72,678
C. II.	Receivables	17,745,540	-	17,745,540
C. II. 1.	Long-term receivables	12,748	-	12,748
C. II. 1. 1.	Trade receivables	8,991	-	8,991
C. II. 1. 5.	Receivables – other	3,757	-	3,757
C. II. 1. 5. 4.	Miscellaneous receivables	3,757	-	3,757
C. II. 2.	Short-term receivables	17,732,792	-	17,732,792
C. II. 2. 1.	Trade receivables	1,098,446	-	1,098,446
C. II. 2. 2.	Receivables – controlled or controlling entity	5,567,616	-	5,567,616
C. II. 2. 4.	Receivables – other	11,066,730	-	11,066,730
C. II. 2. 4. 4.	Short-term advances granted	543,582	-	543,582
C. II. 2. 4. 5.	Accrued revenues	10,511,847	-	10,511,847
C. II. 2. 4. 6.	Miscellaneous receivables	11,301	-	11,301
C. IV.	Cash	-	-	-
C. IV. 1.	Cash in hand	-	-	-
D.	Prepaid expenses and accrued income	19,108	-	19,108
D. 1.	Prepaid expenses	12,657	-	12,657
D. 3.	Accrued income	6,451	-	6,451

(in thousands of CZK)

Caption	Liabilities	Balance sheet as at 31/12/2018 ČEZ Distribuce, a. s.	Spin-off of ČEZ Korporátní služby, s.r.o.	Opening balance sheet of ČEZ Distribuce, a. s. as at 01/01/2019
	Total liabilities	143,663,970	261,430	143,925,400
A.	Equity	85,446,560	(4,497)	85,442,063
A. I.	Basic capital	60,000,000	–	60,000,000
A. I. 1.	Basic capital	60,000,000	–	60,000,000
A. II.	Share premium and revaluation reserve	5,676,802	(4,497)	5,672,305
A. II. 2.	Capital funds	5,676,802	(4,497)	5,672,305
A. II. 2. 1.	Other capital funds	1,313	–	1,313
A. II. 2. 4.	Differences arising on corporate transformation	5,675,489	(4,497)	5,670,992
A. III.	Reserves from profit	12,000,000	–	12,000,000
A. III. 1.	Other reserves	12,000,000	–	12,000,000
A. IV.	Profit (loss) brought forward	101,137	–	101,137
A. IV. 1.	Retained earnings/accumulated loss	101,137	–	101,137
A. V.	Profit or loss for the year	7,668,621	–	7,668,621
B. + C.	Provisions and Liabilities	50,274,464	265,831	50,540,295
B.	Provisions	1,303,409	–	1,303,409
B. 2.	Provision for income tax	15,891	–	15,891
B. 4.	Other provisions	1,287,518	–	1,287,518
C.	Liabilities	48,971,055	265,831	49,236,886
C. I.	Non-current liabilities	31,641,329	265,831	31,907,160
C. I. 6.	Liabilities – controlled or controlling entity	20,220,000	230,500	20,450,500
C. I. 8.	Deferred tax liability	11,421,329	35,331	11,456,660
C. II.	Current liabilities	17,329,726	–	17,329,726
C. II. 3.	Short-term advances received	10,956,171	–	10,956,171
C. II. 4.	Trade payables	2,533,760	–	2,533,760
C. II. 6.	Liabilities – controlled or controlling entity	560,000	–	560,000
C. II. 8.	Other liabilities	3,279,795	–	3,279,795
C. II. 8. 3.	Liabilities to employees	160,879	–	160,879
C. II. 8. 4.	Social security and health insurance liabilities	91,611	–	91,611
C. II. 8. 5.	Government – tax liabilities and subsidies	400,474	–	400,474
C. II. 8. 6.	Unbilled deliveries	2,607,532	–	2,607,532
C. II. 8. 7.	Miscellaneous liabilities	19,299	–	19,299
D.	Accruals and deferred income	7,942,946	96	7,943,042
D. 1.	Accruals	77,797	96	77,893
D. 2.	Deferred income	7,865,149	–	7,865,149

2. Basis of Presentation of the Financial Statements

The accompanying financial statements were prepared in accordance with the Czech Act on Accounting and the related guidelines as applicable for 2019 and 2018.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern.

Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

3. Summary of Significant Accounting Policies

The accounting policies applied by the Company in preparing the 2019 and 2018 financial statements are as follows:

a) Intangible Fixed Assets

Intangible fixed assets are recorded at their acquisition cost and related expenses. Interest on loans and borrowings is not considered to be part of these costs.

Intangible fixed assets with a cost exceeding CZK 60 thousand are amortized over their useful economic life.

Intangible fixed assets include software provided that it has been developed internally for trading purposes, or it has been acquired from other parties, irrespective of its cost. The above also applies to software licenses, if such licenses are not part of the valuation of the acquired software, or part of the technical improvement of the existing software.

Amortization

Amortization is calculated based on the acquisition cost and the estimated useful life of the related asset.

The useful economic lives are as follows:

	Years
Research and development	6
Software	4–6
Other valuable rights	6
Miscellaneous intangible fixed assets	6

The costs of technical improvements are capitalized. Repairs and maintenance expenses are expensed as incurred.

b) Tangible Fixed Assets

Tangible fixed assets are recorded at their acquisition cost, which consists of purchase price, freight, customs duties and other related costs. Interest on loans and borrowings is not considered to be part of these costs.

Tangible fixed assets belonging to the category of tangible assets and sets of tangible assets – machinery, appliances, equipment, vehicles and fixtures and fittings related to the licensed activities of a company distributing electricity with a cost exceeding CZK 5 thousand are depreciated over their useful economic lives. Transformer station technologies, transformers of the distribution company and power meters are deemed the tangible fixed assets regardless of their valuation.

Easements on land and building, excluding the right to use and enjoy, are also deemed the tangible fixed assets regardless of their valuation, unless they are reported as part of the building valuation.

Internally-developed tangible fixed assets are recorded at their accumulated cost, which consists of direct material, labor costs and production overheads.

Tangible fixed assets acquired free of charge are valued at their replacement cost and are recorded with a corresponding credit to the 'Other capital funds account' on the date of acquisition. The costs of technical improvements are capitalized. Repairs and maintenance expenses are expensed as incurred.

Depreciation

Depreciation is calculated based on the acquisition cost and the estimated useful life of the related asset. The useful economic lives are as follows:

	Years
Structures	10–50
Machinery and equipment	4–30
Vehicles	5–10
Furniture and fixtures	5–30
Miscellaneous tangible fixed assets	6–30

Acquisition costs and net book values of depreciated intangible and tangible fixed assets were revalued in an expert opinion as at 1 January 2010. The revaluation of acquisition costs and net book value of assets was made in connection with the merger project (see introduction to Note 1).

c) Cash

Cash includes liquid valuables, cash in hand and at bank.

Within the ČEZ Group, a system for utilization of idle money of individual group companies, i.e. cash pool, has been introduced. Cash deposited in or used from this system as at the date of the financial statements is reported in 'Short-term receivables from group companies with majority control' or 'Current liabilities to group companies with majority control', as appropriate, in the accompanying balance sheet and the change in the deposited cash is reported in 'Change in receivables/payables from group cash pool' in the accompanying cash flow statement.

d) Inventory

Purchased inventory is stated at actual cost being determined using the weighted average method. Costs of purchased inventory include acquisition-related costs (freight, customs, commission, etc.).

Finished goods and work-in-progress (services) are recorded at actual cost. Actual cost includes, in particular, direct costs of material, manufacturing costs of relaying and cost of inventory produced internally. The cost of inventory produced internally includes direct labor costs, including overhead costs, and are allocated to work-in-progress on the basis of hours actually worked.

e) Receivables

Receivables are initially measured at their nominal amount. Purchased receivables are measured at cost. Both long- and short-term receivables are carried at their realizable value after allowance for doubtful accounts. Additions to the allowance account are charged to income.

f) Equity

The basic capital of the Company is stated at the amount recorded in the Commercial Register maintained in the Registry Court. Any increase or decrease in the basic capital made pursuant to the decision of the General Meeting which was not entered in the Commercial Register as at the balance sheet date is recorded through changes in basic capital. Contributions in excess of basic capital are recorded as share premium. Other capital funds consist of monetary and non-monetary contributions in excess of basic capital, such as tangible assets donations, etc.

In accordance with the Articles of Association, the Company creates a reserve fund from profit.

The Company establishes a reserve fund from profit after tax disclosed in the annual financial statements in the year, in which profit is generated for the first time; the reserve fund is allocated a minimum of 20% of profit after tax, however not more than 10% of basic capital.

The reserve fund is allocated 5% of profit after tax for each particular year until the fund reaches 20% of basic capital of the Company. The fund can only be used to offset losses. The amounts used from the fund are replenished in the same manner as the reserve fund has been established.

g) Provisions and Liabilities

The Company creates legal provisions in accordance with the Act on Provisions and provisions for losses and risks if the related purpose amount and timing can be reliably estimated and the accrual and matching principles are observed.

Long-term liabilities and current liabilities are carried at their nominal values.

Long-term liabilities and current liabilities to credit institutions are recorded at their nominal values. Any portion of long-term debt which is due within one year of the balance sheet date is classified as short-term debt.

Liabilities or contingent liabilities that are not recorded in the balance sheet because significant uncertainties exist with respect to the amount, title or timing of the expected outflow of benefits are described in Note 15.

h) Leases

The Company records leased assets by expensing the lease payments and, for finance leases, capitalizing the residual value of the leased assets when the lease contract expires and the purchase option is exercised.

i) Foreign Currency Transactions

Assets and liabilities whose acquisition or production costs were denominated in foreign currencies are translated into Czech crowns at the exchange rate existing at the transaction date. On the balance sheet date monetary items are adjusted to the exchange rates published by the Czech National Bank at 31 December.

Realized and unrealized exchange rate gains and losses were charged or credited, as appropriate, to finance income for the year.

j) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. The Company management prepared these estimates and predictions based on all available relevant information. These estimates and assumptions are based on information available as at the date of the financial statements and may differ from actual results.

k) Recognition of Revenues and Expenses

Revenues and expenses are recognized on an accrual basis, that is, they are recognized in the periods in which the actual flow of the related goods or services occurs, regardless of when the related monetary flow arises.

Long-term contracts are accounted for according to the completed contract method as specified in the contract.

The Company recognizes as an expense any additions to provisions for or allowances against risks, losses or physical damage that are known as at the financial statements' date.

Revenues from distribution services are recorded at the time of the distributed electricity delivery. Total revenues from provided services comprise the billing and changes in unbilled distribution services. The Company records these revenues as revenues from sales of own products and services. Costs of electricity distribution and the power grid operation are recorded as service consumption (mainly system and transmission services) and consumption of material and energy.

Changes in unbilled distribution services are set monthly on the basis of estimation. The estimation of monthly change of unbilled distribution services comes from deliveries of electricity in the given month after deduction of actual billing and estimation of distribution network losses. The total estimation is verified by calculation which is based on the load simulation at each point of delivery on the basis of temperature-adjusted load profiles. The actual billed distribution service amounts may differ from the estimation.

l) Income Tax

The corporate income tax expense is calculated based on the statutory tax rate and book income before taxes, increased or decreased by the appropriate permanent and temporary differences (e.g. non-deductible provisions and allowances, entertainment expenses, differences between book and tax depreciation, etc.). In addition, the following items are taken into consideration: tax base decreasing items (donations), tax deductible items and income tax reliefs.

The Company records an outstanding income tax liability, net of paid tax prepayments, in provisions. If income tax prepayments exceed the estimate of current income tax expense as at the balance sheet date, the difference will be recorded as a short-term receivable.

The deferred tax position reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for corporate income tax purposes, taking into consideration the period of realization.

Deferred tax asset is recognized when it becomes probable that the asset will be realized in the future.

m) Subsequent Events

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognized in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

4. Fixed Assets

a) Intangible Fixed Assets (in CZK thousands)

COST

	At beginning of year	Transformations	Additions	Disposals	Transfers	At end of year
Software	1,188,387	–	–	(43,245)	162,414	1,307,556
Other valuable rights	41,410	–	–	–	–	41,410
Miscellaneous intangible fixed assets	198,725	–	–	(6,227)	47,089	239,587
Intangible fixed assets in progress	24,614	–	254,534	–	(209,503)	69,645
2019 Total	1,453,136	–	254,534	(49,472)	–	1,658,198
2018 Total	1,038,251	9,721	421,791	(16,627)	–	1,453,136

ACCUMULATED AMORTIZATION

	At beginning of year	Transformations	Amortization during year	Disposals	At end of year	Net book value
Software	(725,833)	–	(154,135)	43,245	(836,723)	470,833
Other valuable rights	(40,951)	–	(457)	–	(41,408)	2
Miscellaneous intangible fixed assets	(115,938)	–	(25,217)	6,227	(134,928)	104,659
Intangible fixed assets in progress	–	–	–	–	–	69,645
2019 Total	(882,722)	–	(179,809)	49,472	(1,013,059)	645,139
2018 Total	(736,083)	(3,951)	(159,315)	16,627	(882,722)	570,414

Valuable rights, patents and licenses are amortized over their useful lives as specified in the relevant contracts.

The total value of small tangible fixed assets which are not reflected in the accompanying balance sheet was CZK 4,212 thousand and CZK 4,226 thousand at acquisition cost as at 31 December 2019 and 2018, respectively.

b) Tangible Fixed Assets (in CZK thousands)

COST

	At beginning of year	Transformations	Additions	Disposals	Transfers	Other movements	At end of year
Land	924,079	–	–	(1,220)	24,526	–	947,385
Structures	203,722,528	–	–	(1,053,908)	7,459,856	56,017	210,184,493
Movable items	68,315,077	922,685	–	(1,705,066)	3,127,742	(48,194)	70,612,244
Miscellaneous tangible fixed assets	27,689	–	–	–	5,153	–	32,842
Tangible fixed assets in progress	2,419,240	–	10,515,540	–	(10,507,738)	–	2,427,042
Advances granted for tangible fixed assets	138,216	–	121,583	–	(109,539)	–	150,260
2019 Total	275,546,829	922,685	10,637,123	(2,760,194)	–	7,823	284,354,266
2018 Total	266,161,974	1,564,828	10,252,435	(2,433,625)	–	1,217	275,546,829

ACCUMULATED DEPRECIATION AND ALLOWANCES

	At beginning of year	Transformations	Depreciation during year	Cost of sales	Disposals	Other movements	At end of year	Net book value
Land	–	–	–	–	–	–	–	947,385
Structures	(109,473,724)	–	(4,624,501)	(1,762)	1,053,908	(39,786)	(113,085,865)	97,098,628
Movable items	(41,048,435)	(661,256)	(2,882,468)	(6,084)	1,705,066	31,827	(42,861,350)	27,750,894
Miscellaneous tangible fixed assets	(11,756)	–	(3,703)	–	–	–	(15,459)	17,383
Tangible fixed assets in progress	–	–	–	–	–	–	–	2,427,042
Advances granted for tangible fixed assets	–	–	–	–	–	–	–	150,260
2019 Total	(150,533,915)	(661,256)	(7,510,672)	(7,846)	2,758,974	(7,959)	(155,962,674)	128,391,592
2018 Total	(144,514,987)	(1,272,066)	(7,174,740)	(3,222)	2,432,594	(1,494)	(150,533,915)	125,012,914

The total value of tangible fixed assets which are not reflected in the accompanying balance sheet was CZK 37,560 thousand and CZK 39,694 thousand at acquisition cost as at 31 December 2019 and 2018, respectively.

5. Inventory

Excess, obsolete and slow-moving inventory has been written down to its estimated net realizable value by an allowance account (see Note 7).

6. Receivables

Allowances against outstanding receivables that are considered doubtful were charged to income based on collectability and ageing analysis of receivables (see Note 7).

As at 31 December 2019 and 2018, receivables overdue for more than 30 days totaled CZK 1,665,161 thousand and CZK 1,546,443 thousand, respectively. As at 31 December 2019 and 2018, the receivables of CZK 208,411 thousand and CZK 208,411 thousand, respectively are subject to the claim process concerning the POZE legal dispute (see Note 15) and receivables of CZK 561,635 thousand and CZK 437,217 thousand, respectively are subject to claim procedures for system services.

As at 31 December 2019 and 2018, receivables overdue for more than 5 years totaled CZK 482,341 thousand and CZK 328,801 thousand, respectively.

The Company wrote off receivables of CZK 40,547 thousand and CZK 26,497 thousand in 2019 and 2018, respectively as they were irrecoverable or due to unsatisfying the claims in bankruptcy proceedings. The receivables remain off-balance sheet.

The Company is part of the cash-pool system administered by Komerční banka, a.s. on behalf of the ČEZ Group. Cash in CZK transferred to the parent company ČEZ, a. s., within the cash pooling bore an interest rate of PRIBOR O/N – 0.5% p.a., 0.03% p.a. at minimum (receivables). Cash in CZK provided by the parent company within the cash pooling bears an interest rate of PRIBOR O/N + 0.30% p.a. (payables).

Cash in EUR transferred to the parent company ČEZ, a. s. within the cash-pooling system bear interest rate as per the respective KB Notification on interest rates in a foreign currency, currently 0.00% p.a. (receivables). Cash in EUR provided by the parent company within the cash pooling bears an interest rate of EUR LIBOR O/N + 0.35% p.a. (payables).

The balance of cash transferred to the parent company ČEZ, a. s., within the cash pooling system was CZK 4,160,733 thousand and CZK 5,567,616 thousand as at 31 December 2019 and 2018, respectively.

As at 31 December 2019 and 2018, the Company had CZK 12,243 thousand and CZK 12,748 thousand, respectively of long-term receivables, net.

Receivables from related parties (see Note 19).

Short-term advances granted include operating advances paid.

Unbilled revenue represents, in particular, unbilled distribution services.

Changes in unbilled distribution services were as follows in 2019 and 2018 (in CZK thousands):

Unbilled distribution services	Total	Retail business customers	Retail household customers
Balance as at 31/12/2017	10,170,794	2,488,057	7,682,737
Changes in 2018	39,641	(308,557)	348,198
Balance as at 31/12/2018	10,210,435	2,179,500	8,030,935
Changes in 2019	914,959	338,412	576,547
Balance as at 31/12/2019	11,125,394	2,517,912	8,607,482

7. Allowances

Allowances reflect a temporary diminution in the value of assets.

Changes in the allowance accounts (in CZK thousands):

Allowances against:	Balance as at 31/12/2017	Transformations as at 01/01/2018	Additions	Deductions	Balance as at 31/12/2018	Additions	Deductions	Balance as at 31/12/2019
Inventory	659	–	71	(659)	71	–	–	71
Receivables	760,576	7,267	436,806	(252,538)	952,111	159,601	(171,703)	940,009
of which: Legal	544,938	7,241	352,618	(42,976)	861,821	47,199	(60,993)	848,027
Accounting	215,638	26	84,188	(209,562)	90,290	112,402	(110,710)	91,982

Legal allowances are created in compliance with the Act on Provisions and are tax deductible.

8. Prepaid Expenses and Accrued Income

As at 31 December 2019 and 2018, prepaid expenses include in particular an accrued fee of CZK 4,200 thousand and CZK 5,040 thousand, respectively for arranging a loan.

Expenses are charged to income for the year in which they were incurred.

9. Equity

The basic capital of the Company consists of 600 registered shares in a certificate form with a nominal value of CZK 100,000,000 per share. The shares are transferrable only with the consent of the Board of Directors which is based on a prior approval by the Supervisory Board. All shares are fully subscribed and paid.

Subject to the decision of the sole shareholder executing the powers of the general meetings of the Company held on 18 June 2019 and 14 June 2018, the following profit distribution for 2018 and 2017 was approved (in CZK thousands) and also, in 2019, it was decided to pay out a portion of dividend of CZK 5,675,489 thousand out of the Differences arising on corporate transformation account:

Profit for 2017	6,396,182	Profit for 2018	7,668,621
Transfer to retained earnings	–	Transfer to retained earnings	7,668,621
Dividends paid out of 2017 profit	(6,396,182)	Dividends paid out of 2018 profit	–
Transformations as at 01/01/2018	101,137	Transformations as at 01/01/2019	–
Retained earnings as at 01/01/2018 after transformations	19,304,241	Retained earnings as at 01/01/2019	101,137
Dividends paid from retained earnings	(19,203,104)	Dividends paid from retained earnings	(101,137)
Retained earnings as at 31/12/2018	101,137	Retained earnings as at 31/12/2019	7,668,621

Distribution of profit for 2019 was not decided by the financial statements date.

10. Provisions

The movements in the provision accounts were as follows (in CZK thousands):

Provisions	Balance as at 31/12/2017	Transformations as at 01/01/2018	Additions	Deductions	Balance as at 31/12/2018	Additions	Deductions	Balance as at 31/12/2019
Provision for income tax	–	–	15,891	–	15,891	–	(15,891)	–
Other provisions	734,213	389,637	231,319	(67,651)	1,287,518	195,050	(81,141)	1,401,427

As at 31 December 2019 and 2018, the provision for corporate income tax was offset against paid prepayments totaling CZK 1,639,192 thousand and CZK 1,720,888 thousand, respectively. As at 31 December 2019 the Company recognizes a receivable of CZK 16,443 thousand after offsetting with the advance payments. The receivable was recognized in the caption Due from government – tax receivables. As at 31 December 2018 the Company recognizes a payable of CZK 15,891 thousand after offsetting with the advance payments. The payable was recognized in the caption Provision for corporate income tax.

Other provisions were created, in particular, for retirement benefits and 50 years jubilee bonuses paid under collective agreement.

As at 31 December 2019 and 2018, the Company has a provision for severance package in the amount of CZK 27,524 thousand and CZK 14,901 thousand, respectively and a provision for pending litigation in the amount of CZK 42,779 thousand and CZK 42,779 thousand as at 31 December 2019 and 2018, respectively.

11. Long-Term Liabilities

As at 31 December 2019 and 2018, the Company had the following long-term liabilities (in CZK thousands):

	Due by	31/12/2019	31/12/2018
4th credit line	31/12/2025	3,220,000	3,780,000
5th credit line	25/09/2028	17,000,000	17,000,000
Total		20,220,000	20,780,000
Current portion		560,000	560,000
Long-term portion		19,660,000	20,220,000

A contract for 4th credit line was signed by and between ČEZ Distribuce, a. s., (debtor) and ČEZ, a. s., (creditor) on 2 March 2015. The first half of the loan was withdrawn on 11 March 2015, the other one on 21 August 2015. The loan is repayable by 31 December 2025. The interest rate has been set at 2.4% p.a.

The loan under the 4th credit line was provided to finance the implementation of the Project of reconstruction and development of the power grid in the Czech Republic (the "Project").

The loan agreement for credit line with ČEZ, a. s., includes the following terms and conditions to be fulfilled by the Company:

1. Maintenance	To maintain, repair and refurbish real estate that is part of the Project
2. Assets	To maintain legal title to and possession of the assets that are part of the Project
3. Insurance	To insure all work and real estate that is part of the Project
4. Servitude and beneficial use	To maintain use and enjoyment rights necessary for the Project operation
5. Environment	To implement the Project in compliance with the environment protection legislation

A contract for 5th credit line was signed by and between ČEZ Distribuce, a. s., (debtor) and ČEZ, a. s., (creditor) on 25 September 2018. The credit line as per the contract is CZK 30,000,000 thousand. The first withdrawal in the amount of CZK 17,000,000 thousand was made on 29 November 2018.

In October 2019, the Company repaid a loan of CZK 230,500 thousand assumed within the transfer of a carved out part of assets mentioned in the Project from ČEZ Korporátní služby, s.r.o. to ČEZ Distribuce, a. s. as at 1 January 2019.

The interest expense relating to the loans for 2019 and 2018 was CZK 606,500 thousand and CZK 223,739 thousand, respectively.

The aggregate maturities of loans as at 31 December 2019 are as follows (in CZK thousands):

	Borrowings
2020	560,000
2021	560,000
2022	560,000
2023	560,000
2024	560,000
2025 and thereafter	17,420,000
Total	20,220,000

In addition, the Company undertook to pay interest and principal according to the payment schedule, inform the creditor of significant overdue payables and not to change the Company's ownership structure.

The Company was in compliance with these terms and conditions as at 31 December 2019 and 2018.

12. Current Liabilities

As at 31 December 2019 and 2018, the Company had current liabilities overdue for more than 30 days totaling CZK 19,519 thousand and CZK 16,532 thousand, respectively. As at 31 December 2019 and 2018, liabilities overdue for more than 5 years totaled CZK 16,192 thousand.

As at 31 December 2019 and 2018, the Company had liabilities of CZK 99,322 thousand and CZK 91,611 thousand owing to social security and health insurance premiums which are due in January 2020 and 2019, respectively.

As at 31 December 2019 and 2018, short-term advance payments received of CZK 12,018,562 thousand and CZK 10,956,171 thousand, respectively cover, in particular, unbilled distribution services.

Unbilled deliveries represent, in particular, unbilled services related to electricity distribution, unbilled deliveries of electricity purchased to cover power grid losses and unpaid vacation claims for 2019 and 2018.

Payables to related parties (see Note 19).

13. Accruals and Deferred Income

Deferred income includes, in particular, contributions for reasonable costs incurred for connection and assuring the required power input and in case of switching installations diversion to separate constructions related to them. It is recognized into income for the year in which it was earned. These are in particular connection fees within the meaning of Act No. 458/2000 Coll. (the Energy Act) and Decree No. 51/2006 Coll. of Energy Regulatory Office (Energetický regulační úřad). These fees are credited to income by the Company in compliance with its internal regulations in the amount of 1/20 of collected fees per annum.

In 2019 and 2018, the movements in deferred income balance (in CZK thousands) comprising, in particular, contributions for reasonable costs incurred for connection and assuring the required power input and in case of switching installations diversion to separate constructions related to them were as follows:

Balance as at 31/12/2017	7,660,719
Additions in 2018	982,627
Released to revenues in 2018	(779,700)
Balance as at 31/12/2018	7,863,646
Additions in 2019	1,123,995
Released to revenues in 2019	(788,612)
Balance as at 31/12/2019	8,199,029

14. Income Taxes

On the basis of preliminary calculation the Company calculated tax expense as follows (in CZK thousands):

	2019	2018
Profit before taxes	9,038,085	9,498,305
Difference between book and tax depreciation	(753,150)	(594,120)
Difference between net book value of fixed assets for accounting and tax purposes	99,077	84,128
Non-deductible expenses		
Creation of provisions	113,908	163,668
Creation/release of allowances	1,693	(125,922)
Other	130,761	118,113
Taxable income	8,630,374	9,144,172
Current income tax rate	19%	19%
Tax	1,639,771	1,737,393
Tax allowance	(579)	(614)
Provision for income tax	1,639,192	1,736,779
Adjustment of the tax paid in previous years	2,053	(2,915)
Current tax expense	1,641,245	1,733,864

The Company submits regular tax return prior to 30 June 2020.

The Company quantified deferred taxes as follows (in CZK thousands):

Deferred tax items	31/12/2019		31/12/2018	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Difference between net book value of fixed assets for accounting and tax purposes	–	(11,873,866)	–	(11,714,527)
Other temporary differences:				
Allowance against receivables	17,016	–	17,134	–
Provisions	258,143	–	236,501	–
Other	44,615	(3,136)	42,014	(2,451)
Total	319,774	(11,877,002)	295,649	(11,716,978)
Net		(11,557,228)		(11,421,329)

The deferred tax liability was increased by CZK 35,331 thousand to CZK 57,615 thousand to CZK 11,456,660 thousand and CZK 11,325,509 thousand, within the transformation process as at 1 January 2019 and 1 January 2018, respectively. Change in deferred tax recognized in the income statement for 2019 and 2018 was CZK 100,569 thousand and CZK 95,820 thousand, respectively.

15. Commitments and Contingencies

The Company has effected the following types of insurance:

- Insurance of buildings, constructions and selected movable items (transformer stations, administrative buildings);
- Insurance of civil engineering structures (very high voltage and high voltage overhead power grids).

Other types of insurance include general liability insurance, insurance for damage caused by defective products and liability insurance of management and board members.

As at 31 December 2019 and 2018, the Company entered into contracts for future supplies of fixed assets in the amount of approx. CZK 6,091,615 thousand and CZK 5,392,435 thousand, respectively. As at 31 December 2019 and 2018, an amount of contractual liabilities for next years comprises a contractual fee totaling CZK 5,878,138 thousand and CZK 5,124,839 thousand, respectively for investments, CZK 193,651 thousand and CZK 221,989 thousand, respectively for repairs and CZK 19,826 thousand and CZK 45,607 thousand, respectively for relaying.

The Company is a party to a number of legal disputes relating to collection of a price component pertaining to costs incurred in supporting the electricity generation from renewable energy sources and combined heat and power generation (fees for “POZE – supported energy sources”) in 2013. The Company’s management believes that if an adverse judgment against ČEZ Distribuce, a. s. is delivered in these cases and any potential similar disputes, the Company will be entitled to claim back the fees from OTE, a.s. Therefore, the Company takes all measures necessary to prevent the Company from an unfavorable impact in the case of failure, if any.

Regarding legal disputes for POZE 1. – 3. Q 2013 – there is a Supreme Court judgment from the second half of 2019, in which the Court approves, in its judgment regarding similar case with different participants, the procedure applied by the Company in the respective period, i.e. that the fees should be collected also for the so-called own consumption. Also, in legal disputes for POZE 4. Q 2013 there is a final decision of the Energy Regulator regarding one of the Company disputes from the beginning of 2020 that confirms that the fees for POZE should have been collected at an amount collected by the Company.

In addition, the Company is a party to several disputes related to connection of photovoltaic power plants to the power grid. Based on the analysis performed, the Company’s management believes that the risk of losing these disputes is very small and it is unlikely the Company would be imposed any significant obligations in the future arising from these disputes.

Seven companies claim against ČEZ Distribuce, a. s. billing of a part of system services since 2016, which the Company repays to ČEPS, a.s. The receivables subject to claim procedures are listed in Note 6. Again, Company’s management believes that if the receivables are not collected in these cases and any potential similar claims or disputes, the Company will be entitled to claim back the fees from ČEPS, a.s. Therefore, the Company takes all measures necessary to prevent the Company from an unfavorable impact of the claim process in the case of failure, if any.

16. Leases

The Company leases certain assets from categories such as Buildings, halls and constructions and also Separate movable items and Land.

17. Revenues and Expenses

The breakdown of revenues on ordinary activities is as follows (in CZK thousands):

	2019	2018
Use of grids, incl. reserved capacity at low voltage level	22,218,998	20,398,116
Support of electricity from renewable sources	12,485,633	12,731,283
Provided reserved capacity at very high voltage and very low voltage levels	9,988,167	9,808,151
Provision of system services	3,015,896	3,689,668
OTE charges	307,752	237,868
Other energy services	182,616	160,036
Other non-energy services	202,022	198,984
Total revenues	48,401,084	47,224,106

A vast majority of the Company's revenues comprises primarily revenues from the provision of distribution network services to customers and electricity producers and traders. The prices for services related to providing of distribution network are subject to price regulations of the Energy Regulatory Office and were determined by the Energy Regulatory Office's price decision.

As at 31 December 2019 and 2018, of the total revenues foreign revenues were CZK 34 million and CZK 32 million from Axpo Solutions AG, having its registered office in Switzerland (business reg. no.: 24683515, VAT ID CHE105779348MWST, Parkstrasse 23, Baden 5401), which has a license for electricity trading. The revenues were generated from services related to provision of distribution network.

In 2019 and 2018, the Company recorded in revenues a settlement of subsidy for operating needs totaling CZK 7,966 thousand and CZK 5,005 thousand, respectively.

Fees paid to statutory auditors are disclosed in the consolidated financial statements of ČEZ, a. s.

18. Personnel and Related Expenses

The breakdown of personnel expenses is as follows (in CZK thousands):

	2019		2018	
	Total	Members of management, supervisory and administrative bodies	Total	Members of management, supervisory and administrative bodies
Average number of employees*	4,563	11	4,497	12
Wages and salaries	2,879,688	21,525	2,640,590	23,402
Social security and health insurance	984,819	4,643	909,731	4,715
Social cost	313,198	1,024	278,808	1,148
Total personnel expenses	4,177,705	27,192	3,829,129	29,265

* Average recorded number of employees recalculated in physical persons as per the length of their working time to full working time set by the employer.

Members of supervisory bodies received total bonuses of CZK 792 thousand and CZK 732 thousand in 2019 and 2018, respectively.

19. Related Party Information

The members of management, supervisory and administrative bodies were granted no advances, earnest money, loans, borrowings, guarantees, advances or other benefits in 2019 and 2018 and they do not hold any shares of the Company.

Related parties specified in the tables below are companies of ČEZ Group.

As at 31 December 2019 and 2018, receivables from group companies with majority control in the amount of CZK 4,160,733 thousand and CZK 5,567,616 thousand, respectively represent the balance of cash in the cash pooling system (see Note 6).

The Company has loans granted by the parent company (see Note 11).

The Company provides services to related parties in the ordinary course of business.

In 2019 and 2018, sales were as follows (in CZK thousands):

Related party	2019	2018
ČEZ Prodej, a.s.	15,173,822	13,837,751
ČEZ ESCO, a.s.	5,454,115	7,393,357
ČEZ Energetické služby, s.r.o.	184,876	174,981
Telco Pro Services, a. s.	107,137	102,449
ČEZ, a. s.	77,305	96,338
Severočeské doly a.s.	61,335	166,919
ČEZ LDS s.r.o.	26,264	18,046
Elektrárna Dětmorovice, a.s.	13,386	4,867
ČEZ ICT Services, a. s.	8,857	2,491
ÚJV Řež, a. s.	7,585	9,031
MARTIA a.s.	3,824	858
Energotrans, a.s.	3,197	68
ČEZ Energo, s.r.o.	2,251	2,201
ČEZ Korporátní služby, s.r.o.	1,661	1,119
ČEZ Obnovitelné zdroje, s.r.o.	1,433	26
ČEZ OZ uzavřený investiční fond a.s.	255	240
Tepelné hospodářství města Ústí nad Labem s.r.o.	9	–
Energocentrum Vítkovice, a. s.	2	8
Výzkumný a zkušební ústav Plzeň s.r.o.	–	23
Elektrárna Počérady, a.s.	–	7
ČEZ Solární, s.r.o.	–	4
Total	21,127,314	21,810,784

Short-term receivables from related parties as at 31 December, including unbilled revenue, except for advance payments made were as follows (in CZK thousands):

Related party	2019	2018
ČEZ Prodej, a.s.	6,720,379	6,346,677
ČEZ ESCO, a.s.	556,749	327,293
ČEZ, a. s.	19,466	14,473
ČEZ Energetické služby, s.r.o.	16,891	36,064
ČEZ ICT Services, a. s.	15,166	20,122
Telco Pro Services, a. s.	10,627	21,956
ČEZ Korporátní služby, s.r.o.	4,237	4,013
ČEZ LDS s.r.o.	2,726	1,297
Elektrárna Dětmorovice, a.s.	2,326	170
MARTIA a.s.	1,939	315
Energotrans, a.s.	311	–
ÚJV Řež, a. s.	108	115
ČEZ Obnovitelné zdroje, s.r.o.	35	–
ČEZ Energo, s.r.o.	14	48
Severočeské doly a.s.	–	4,724
EASY POWER s.r.o.	–	292
Total	7,350,974	6,777,559

Short-term payables to related parties as at 31 December, including unbilled deliveries, except for advance payments received were as follows (in CZK thousands):

Related party	2019	2018
ČEZ Prodej, a.s.	500,169	553,524
ČEZ ICT Services, a. s.	158,472	223,428
ČEZ Korporátní služby, s.r.o.	74,261	76,292
ČEZ, a. s.	57,014	49,044
Telco Pro Services, a. s.	50,799	52,846
ČEZ Energetické služby, s.r.o.	6,554	65
MARTIA a.s.	9,327	9,423
ČEZ ESCO, a.s.	4,879	33,425
ČEZ LDS s.r.o.	789	–
ČEZ Obnovitelné zdroje, s.r.o.	512	512
Energotrans, a.s.	370	345
ČEZ OZ uzavřený investiční fond a.s.	207	406
Elektrárna Dětmorovice, a.s.	103	121
ČEZ Teplárenská, a.s.	4	2
Severočeské doly a.s.	2	2
Tepelné hospodářství města Ústí nad Labem s.r.o.	2	–
Total	863,464	999,435

The Company purchases products and receives services from related parties in the ordinary course of business. Purchases from related parties in 2019 and 2018 were as follows (in CZK thousands):

Related party	2019	2018
ČEZ Prodej, a.s.	2,603,769	2,037,283
ČEZ, a. s.	921,850	290,191
ČEZ Korporátní služby, s.r.o.	673,949	739,473
ČEZ ICT Services, a. s.	609,865	857,513
Telco Pro Services, a. s.	256,707	250,719
MARTIA a.s.	37,697	45,749
ČEZ Energetické služby, s.r.o.	12,023	3,683
ČEZ OZ uzavřený investiční fond a.s.	2,056	2,015
Energotrans, a.s.	1,874	1,579
Tepelné hospodářství města Ústí nad Labem s.r.o.	1,493	1,459
Elektrárna Dětmorovice, a.s.	740	1,633
ČEZ LDS s.r.o.	653	1
ČEZ Obnovitelné zdroje, s.r.o.	423	423
Výzkumný ústav pro hnědé uhlí a.s.	61	–
ČEZ Teplárenská, a.s.	23	28
Severočeské doly a.s.	11	20
Teplo Klášterec s.r.o.	3	3
ČEZ ESCO, a.s.	(535)	52,130
Total	5,122,662	4,283,902

As at 31 December 2019 and 2018, advances received from related parties were CZK 7,193,902 thousand and CZK 6,653,768 thousand, respectively. The advances mostly comprised of advances for distribution services received from ČEZ Prodej, a.s. and ČEZ ESCO, a.s.

20. Miscellaneous Operating Income

Miscellaneous operating income includes in particular the released part of connection fees (see Note 13) and re-invoiced costs of relaying.

21. Subsequent Events

As of 1 January 2020 in accordance with the project of demerger through spin-off by acquisition between the companies involved, namely ČEZ Korporátní služby, s.r.o., with its registered address at 28. října 3123/152, Moravská Ostrava, 702 00 Ostrava, business registration no.: 26206803 as one party as the Demerging Company and ČEZ Distribuce, a. s., as the other party as the Successor Company a part of assets of ČEZ Korporátní služby, s.r.o. determined in the Project was transferred to ČEZ Distribuce, a. s. whilst the Demerging Company did not cease to exist.

On 27 February 2020, ČEZ Distribuce, a. s.'s Board of Directors discussed notification on resignation of Pavel Šolc and approved termination of his membership in the Board of Directors at his own request as of 31 March 2020.

On 27 March 2020, subject to the decision of the sole shareholder executing the powers of the general meeting of ČEZ Distribuce, a. s., the Board of Directors of ČEZ, a. s., recalled Vladimír Říha from the position of member of the Supervisory Board of ČEZ Distribuce, a. s., with effect from 31 March 2020, and elected Marek Šlégl member of the Supervisory Board with effect as of 1 April 2020.

In late 2019, reports of COVID-19 disease caused by coronavirus SARS-CoV-2 started coming out of China. In the first months of 2020, the virus spread worldwide and causes, among other, extensive economic damage. Although the management of the Company did not see a significant impact on its business the time of these financial statements, the situation is constantly changing and therefore the future impact of this pandemic on the Company's activities cannot be reliably predicted. The Company's management will continue to monitor its potential impact and take all possible steps to mitigate any adverse effects on the Company and its employees.

The management of the Company considered the potential impact of COVID-19 on its activities and business and concluded it does not have a significant impact on the going concern assumption. Accordingly, the financial statements for the year ended 31 December 2019 were prepared on the assumption that the Company would be able to continue as a going concern.

22. Cash Flow Statement

The cash flow statement was prepared under the indirect method.

Prepared on 8 April 2020

Signature of entity's statutory body:



Martin Zmelík



Martin Molinger

Identification of ČEZ Distribuce, a. s.

ČEZ Distribuce, a. s.

Teplická 874/8
405 02 Děčín IV-Podmokly
Czechia

Registered in the Commercial Register kept by the
Regional Court in Ústí nad Labem, Section B, File 2145

Established:	2010
Legal form:	Joint-stock company
Company reg. No.:	24729035
VAT ID No.:	CZ24729035
Banking details:	Komerční banka, a.s., account No. 35-4544580267/0100
Phone:	+420 411 121 111
Fax:	+420 411 122 997
Internet:	www.cezdistribuce.cz
E-mail:	info@cezdistribuce.cz

License number: 121015583
OTE registration number: 715

Closing date of the 2019 Annual Report: April 8, 2020

Annex 1 Relation Structure Diagram
for the Period of January 1, 2019, to December 31, 2019

